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In Warsaw, Pope John Paul II kissing the gravestone of the Reverend Jerzy Popiełuszko, the slain pro-Solidarity priest.

Jaruzelski Upbraids John Paul

Refers to 'Alien Manipulations' As Pope Leaves

By Jackson Diehl
Washington Post Service

WARSAW — General Wojciech Jaruzelski angrily denounced "alien manipulations" of the truth about Poland here Sunday as Pope John Paul II concluded a seven-day visit in which he offered impassioned support for the banned Solidarity trade union.

The pope and General Jaruzelski, who talked for 70 minutes after John Paul's arrival on Monday, held a 55-minute second encounter late Sunday afternoon at Warsaw's Okęcie International Airport, shortly before the Polish-born pope left for Rome.

Then, as the pope stood alongside him at a ceremony on the airport tarmac, General Jaruzelski read a statement that bluntly expressed his bitterness over John Paul's emotional embrace of Solidarity and his repeated calls for reform of Poland's political system.

"Your Holiness, who will soon bid farewell to your homeland, will take its picture with him in his heart but cannot take with him its problems," the general declared as John Paul closed his eyes and grimed.

"Poland needs truth," the general added. "But truth about Poland is necessary, too. How frequently in recent days has it been the victim of alien manipulations so offensive to the common sense of our nation."

Sarcastically referring to the pope's repeated evocations of Solidarity as both an organization and a quality, the general added: "May the word 'solidarity' be heard from this land for all people who continue suffering from racism, neocolonialism, exploitation, unemployment, reprisals and intolerance."

The general's unusually harsh remarks came at the end of a day in which John Paul completed his show of support for the country's political opposition by kissing the gravestone of the Reverend Jerzy

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Students demonstrating in Seoul in support of those who have occupied the Myeongdong Cathedral since Wednesday.

Nunn, Kissinger Assail Reagan's Gulf Strategy

By Fred Farris
International Herald Tribune

WASHINGTON — Administration proposals to place Kuwaiti tankers under U.S. registry were criticized Sunday by Senator Sam Nunn, Democrat of Georgia, and Henry A. Kissinger, the former secretary of state.

"With the lack of consensus we have right now, the administration would be best advised to delay it," said Mr. Nunn, chairman of the Senate Armed Services Committee.

"Unless the Kuwaiti flagging is fitted into an overall policy, which is not apparent, it seems to me it is a mistake."

Mr. Kissinger said: "From what I now know, I think it is a bad idea to get ourselves militarily involved."

Placing the Kuwaiti vessels under U.S. registry would qualify

A U.S. congressional panel says officers on the Stark failed to react quickly. Page 5.

them for protection by U.S. naval forces.

The government is seen as eager to avoid using force. It did so in 1980 during demonstrations in the city of Kwangju, and more than 200 people were killed. That incident has hindered public acceptance of President Chun Doo Hwan.

With the 1988 Summer Olympic Games set to open in Seoul in 15 months, the government also is eager to avoid creating an image of repression and dictatorship.

The demonstrations began Wednesday, in protest against the death of a student during police torture as well as the nomination of Roh Tae Woo, the ruling party chairman and a former army general, to succeed Mr. Hwan.

Although the protesters appear to be only a tiny minority of South Korea's one million university students, the bold tactics they have used have kept their struggle in the public eye.

In taking their cause to Myeong- See SEOUL, Page 6

Italians Begin Voting in Heated Election

By James M. Markham
New York Times Service

ROME — Italians began voting Sunday for the 630-member Chamber of Deputies and the 315-seat Senate.

The polls also are open Monday, and the outcome of the election will not be known until Monday evening.

About 46 million Italians are eligible to vote for the Chamber of Deputies, and 38 million are eligible to vote for the Senate. The voting age is 18 for the lower house and 25 for the upper.

Many politicians and commentators have predicted that the balloting will open a period of uncertainty and political instability.

Italy's last general election took place June 25-27, 1983, and led to the formation of a five-party coalition led by Bettino Craxi, a Socialist. The coalition collapsed amid recriminations this spring, precipitating early elections.

about his intentions, turning away questions on whether he would accept a coalition with the Communists could, for the first time in Italy's postwar history, bring the Communist Party to power.

"The stakes are very high," said Mr. De Mita, fearing that large-scale abstentions could hurt his party. "Never has the alternative of the left been as near as it is in these elections."

The election has become a highly personalized contest between Mr. De Mita and Mr. Craxi.

To reach his goal, Mr. De Mita has to at least equal the 32.9 percent share of the popular vote won by the Christian Democrats in 1983, according to politicians and commentators.

Mr. Craxi, who precipitated the elections by refusing to cede the office of prime minister to his Christian Democratic coalition partners, has replaced ambiguous

the Socialists or the Christian Democrats. By contrast, he said, a draw will produce "a powerful and prolonged turbulence" in Italian politics.

The Communist Party, which won 29.9 percent of the vote in 1983, has demanded the formation of a leftist coalition in which it would be the largest component.

Alessandro Natta, the party's leader, made a final appeal for votes "to open a new phase in the history of our republic, to build a more just, free and advanced society."

But the Communists' principal goal is to avoid an erosion of their support, which in the last two national elections has fallen from a postwar high of 34.4 percent.

The Roman Catholic Church has several times weighed in on the side of the Christian Democrats. On the eve of the elections, the *Osservatore Romano*, the Vatican daily, praised the Christian Democrats' "clearness and political honesty."

In a front-page column Saturday in *Le Repubblica*, Eugenio Scalfari, the newspaper's editor, said that the best recipe for post-election stability was a vote for either

Fights Ahead Singapore Plans to Ensure Multiracial Elections

By Michael Richardson
International Herald Tribune

SINGAPORE — Concerned by the rise of racial politics in parts of Asia and the Pacific, the government of Prime Minister Lee Kuan Yew is planning changes in Singapore's political system that it says will provide better protection for the rights of minorities.

Sources in the governing People's Action Party said the changes would probably occur before the next general elections, due in early 1990 at the latest.

They would likely coincide with

the retirement of Mr. Lee as prime minister and his accession to a new post of elected president.

The sources said the government was studying two important modifications to parliamentary arrangements for a constitutional democracy inherited when British colonial rule ended in 1959 and the People's Action Party, led by Mr. Lee, came to power.

One is to combine more than a third of Singapore's single-member constituencies, or election districts, for elections to Parliament, making them three-member electorates. The three successful candidates

would be from the party that won the most votes.

It would be mandatory for all parties campaigning in each of these enlarged electorates to include in their team a candidate from one of Singapore's racial minorities.

Of the population of 2.6 million, 76 percent are of Chinese descent, 15 percent Malay and 6 percent Indian. The rest are Eurasian and other ethnic groups.

A second proposal under study involves the position of president.

At present, the incumbent plays a largely ceremonial role as head of state.

In a recent interview, Sinnathambu Rajaratnam, senior minister attached to the prime minister's office, said the government was considering introducing an elected president with powers to protect Singapore's large foreign currency reserves from being squandered by any future administration.

"Most of the oil that comes out of the Gulf comes from Iranian ships," he said. "If Iraqis will still have a free hand to hit Iranian ships,

"The other dilemma is that the

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See GULF, Page 2

'Museum of Ideas' to Commemorate Normandy Battle, Why It Was Fought

By Barry James
International Herald Tribune

CAEN, France — Rising in a green field just outside Caen is a hangar-like building that within a year will stand as "a museum of ideas" explaining the Battle of Normandy, a turning point of World War II in Europe.

"It's going to be more than just another war museum," said Representative Sam M. Gibbons, Democrat of Florida, who fought in the battle and who is a member of a U.S. committee supporting the project. "There are lots of places where they've got an old rusty this and an old rusty that."

But the Caen memorial, he said in an interview, will be "a museum of ideas, because that is what the war was all about, really. We did not cover any territory. We only were defending what we thought was the idea of freedom."

Mr. Gibbons and Senator Strom Thurmond, Republican of South Carolina, another Normandy veteran and a fellow member of the

support committee, led about 200 U.S. legislators, veterans, historians and corporate executives to Caen this weekend to arouse interest.

"It's going to be more than just another war museum. There are lots of places where they've got an old rusty this and an old rusty that."

— Sam M. Gibbons, U.S. congressman

est and financial backing for the project.

"We took advantage of the fact that many of these people were in

Paris for the air show," said Anthony Stout, a Washington publisher who is on the board of directors of the support committee.

Mr. Stout said corporate participation was important because the Caen museum would tell the story of the technological and industrial progress spurred by the war, including the contribution of U.S. industry to the Allied cause.

But Mr. Stout said the committee, which has the support of Congress, also hoped that thousands of American citizens would participate in the project through modest donations or in other ways.

Caen is putting up more than half the 91-million-franc (\$15-million) cost of the museum itself, with the rest of the financing coming from the national and regional governments. But there is plenty of room for expansion on the 37-acre (15-hectare) site.

Additional funds will be used to enlarge archives and exhibits, create research facilities and provide

See NORMANDY, Page 6

Representative Sam Gibbons indicating the spot where he landed in Normandy on D-Day.

Beyond a Lyon Court, France Examines Drama and Shame of Nazi Years

By Julian Nundy
International Herald Tribune

PARIS — Beyond the courtroom where Klaus Barbie is being tried, a widespread informal review of French collaboration with the Nazis is under way.

Revelations range from minor details on how Gestapo informers went about their tasks to a dramatic assertion that French psychiatrists during the occupation allowed 40,000 patients to die of malnutrition and cold.

These are accompanied by a campaign by revisionist historians who contend that the Holocaust is an invention, that the gas chambers at Auschwitz, Treblinka and other Nazi death camps never

existed, that those who did die were the victims of epidemics, not of cruelty.

Barbie's defense lawyer, Jacques Vergès, promised that he would turn the Lyon trial of the former SS officer into a traumatic exposé of French, even French Jewish, collaboration with the Nazis.

The trial is just over halfway through its two-month schedule and Mr. Vergès has failed in this objective — inside the court, at any rate. Many conventional historians and legal experts doubt he has the means to carry out his threat. Mr. Vergès' first witnesses are scheduled to appear Monday.

Yet, through press articles and television programs, the drama and, for some, the

shame of those years are filtering through.

Discussion includes an intellectuals' dispute over whether General Charles de Gaulle was right to have Robert Brasillach, who wrote anti-Semitic and pro-Nazi editorials throughout the war, shot for treason.

The French are learning that Moroccan laborers encouraged by the pro-German government in Vichy to come to France to work as factory hands included Jews. When the Moroccan Jews' presence was discovered by collaborators, some of them were sent to their deaths in concentration camps in Germany.

The daily newspaper *Liberation* has devoted a series of profiles to the informers

who, for money, would turn in Jews to the Gestapo. The portraits usually depict small-time crooks, alcoholics or the mentally subnormal going about their voluntary tasks with fervent dedication.

For the most dramatic charge has come in a book by a French doctor who, drawing on medical archives, has concluded that his predecessors allowed 40,000 mental hospital patients, whom the Nazis considered "socially useless," to die between 1940 and 1944.

Dr. Max Lafont wrote in "The Quiet Extermination" that the psychiatrists published research articles on the effects of starvation on the mentally ill just as Nazi

doctors in Germany justified their cruelty by stressing purportedly scientific ends.

He contended that at the Vinatier Hospital at Bron, on Lyon's outskirts, hospital officials sold pork, veal, chickens, eggs and milk as their patients slowly died, many

from starvation.

The patients at the hospital, which had

its own farm, "ate all the grass, dandelions, clover and leaves that they could pull from between the paving stones in the yard," he said, adding that 2,000 of the 2,890 patients admitted to the hospital from 1940 to 1944 died.

The doctors treating mental patients

published papers with titles such as "The

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GENERAL NEWS

■ It wasn't on the map, but three million Americans will cross Lake Wobegon. Page 4.

■ Huge Soviet satellites that would convert sunlight into electricity are planned. Page 2.

BUSINESS/FINANCE

■ Brazil's unions are angry over austerity measures. Page 15.

Special Today

European airlines are moving toward a measure of deregulation. Part I of a Special Report on civil aviation. Pages 9-14. Tomorrow: Military aircraft.

late May. "We don't need to play a game of chicken. We need to run the system on cold instead of hot."

"It's the experience level we're worried about," said Vic DePaula, president of the airline equipment bay, responsible for command-

generation — that airline travel is disintegrating into chaos, the pro-

cooperative than us.

Huge Satellites Are Key to Soviet Plan to Transform Sun's Energy Into Power on Earth

By William J. Broad

New York Times Service

NEW YORK — The Soviet Union is drawing up plans to build huge satellites in orbit that would convert sunlight into electricity for cities and industry on Earth. Soviet scientists and American experts say.

It would use the giant new rocket it has developed to put the satellite components into orbit.

The idea was developed in the United States in the 1960s and 1970s but was abandoned as too costly and environmentally controversial.

In recent weeks, solar power satellites have been hailed by Guriii I. Marchuk, head of the Soviet Academy of Sciences, and by other Soviet officials discussing uses for the giant new rocket.

Western experts say the plan apparently consists of several stages:

The first is creating space-based solar reflectors, large mirrors that can bounce sunlight to Earth to provide lighting at night. The second is placing in orbit the huge satellites capable of transforming sunlight into energy. The third is constructing antennas on the ground that will receive energy from the satellites, and feed the electricity it generates to a power grid.

Soviet officials have provided few specific details of the plan. It is believed they will execute its first phases in the 1990s, with full development expected early in the next century.

"The ultimate goal is to beam energy back to Earth" for conversion into electricity, said Nicholas L. Johnson, an expert on Soviet space programs at Teledyne Brown Engineering in Colorado Springs, Colorado.

William R. Graham, a science adviser to President Ronald Reagan, said the solar initiative might not be entirely peaceful, however. "There's no strong division in their large projects between the civilians and the military," he said. "A substantial power capability in space is something they could put to many uses."

Some experts say solar-powered satellites could threaten the space-based arms and sensors proposed as part of Mr. Reagan's space-based missile defense program.

The solar satellites in development by the Soviet Union go far beyond the small arrays of solar cells now used to help power spacecraft. The Russians plan huge floating platforms covered with solar cells, which convert sunlight into electricity.

Experts in the United States said it would take years to see how aggressively the Russians pursue their goal to deploy solar satellites. If pursued vigorously, the Soviet plan could become a prime justification for the giant new rocket, whose rationale has mystified some Western experts.

The new rocket, Energia — "energy" in Russian — was launched at the Baikonur Astronome near Tyuratam in Kazakhstan on May 15. Western experts said it might be used to launch Soviet space shuttles, space stations or

planetary probes. Defense Department officials said it also could deploy space weapons.

The 230-foot (67-meter) rocket can lift payloads greater than 100 tons.

A few days after Energia's test flight, Mr. Marchuk told

'There's no strong division in their large projects between the civilians and the military. A substantial power capability in space is something they could put to many uses.'

— William R. Graham,
Science adviser to President Reagan

the official news agency Tass that the new rocket would permit "the placement of experimental solar power plants in orbit, paving the way for the 'industrialization' of space." Other officials echoed his comments.

Although the Russians have seized the initiative, the idea of solar-power satellites originated in the United States in the late 1960s.

By the mid-1970s, a U.S. system was envisioned as having 60 satellites, each one 55 square miles (142 square kilometers) in size — an area the size of Manhattan — in stationary orbits 22,300 miles above Earth.

Satellites covered with solar cells would beam energy to Earth in the form of microwaves that would be picked up by antennas, converted into electricity and fed into the electric power system. A single solar satellite, or "sunsat," was seen as capable of generating power equal to as much as could be produced by 10 nuclear power plants.

After the government spent \$20 million studying the notion, and environmentalists who feared damage to the Earth's atmosphere and wildlife criticized it, the proposal foundered in the early 1980s, part because of the projected cost of building it.

The National Aeronautics and Space Administration took the cost at \$500 billion to \$800 billion. The National Academy of Sciences in 1981 estimated it would take \$3 trillion over 50 years, calling it "by far the largest, most costly and most complex" project ever envisioned by man.

In 1984, Pravda, the official newspaper of the Communist Party, reported that research was under way to use huge orbiting reflectors to light Soviet cities at night and to fight crop-damaging frosts on farms.

A test project at the Moscow Institute of Avionics, it said, was creating a 440-pound test payload that would unfold in space to create a reflector with a working area of

about 1,200 square feet. It said full-scale reflectors could be in routine use by 1990s.

Early in 1985, the Soviets announced a project called "Star Electricity." It intended to build, by the end of the century, a "power plant in outer space working on solar energy."

In the February 1985 issue of Space Policy, a British publication, Leopold Leskov, a Soviet scientist, elaborated on the project's rationale: "The operation of these space guns does not require the consumption of natural power resources and will not affect the environment in any major way."

Mr. Leskov added that "the success and the scale of implementing this program will depend on the design of carrier rockets."

In interviews, Western experts said such a system might require several stages of development in space before microwave beams were directed through Earth's atmosphere toward antennas on the ground. Beams might first be used to power industrial processes aboard Soviet space stations, and then to fuel space tugs moving payloads between orbits.

The experts also said orbiting solar satellites and reflectors could be used in both peace and war. Mr. Johnson of Teledyne noted that reflectors "could light up a battlefield at night." In the 1960s, space reflectors were considered by the U.S. military for use in the Vietnam War.

WORLD BRIEFS

Sikhs Kill 25 in New Delhi, Punjab

NEW DELHI (AP) — Sikhs killed 25 people in a massacre in New Delhi and in attacks in Punjab state over the weekend, police said Sunday.

Sikhs in New Delhi killed 12 and wounded 20 in a shooting spree Saturday. The incident was the deadliest caused by Sikhs radicals in the capital since a series of explosions killed 87 people in May 1985. Police said all the victims in the capital were Hindus.

Thirteen other people were shot and killed in attacks in northern Punjab state. Radicals waging a guerrilla campaign for a separate Sikh nation in Punjab have been blamed for more than 400 deaths there this year.

Pravda Mocks Reagan on Berlin Wall

MOSCOW (AP) — Pravda, the Communist Party daily newspaper, mocked President Ronald Reagan on Saturday, saying that he was crying "crocodile tears" in calling on the Soviet Union to tear down the Berlin Wall.

The newspaper said that the West had made building the wall necessary and that Mr. Reagan's speech, delivered Friday in West Berlin, was a threat to the sovereignty of East Germany. Mr. Reagan called on the Soviet leader, Mikhail S. Gorbachev, to destroy the wall, which has divided the former German capital for 26 years.

A special party congress elected a moderate, Hans-Joachim Vogel, to replace Mr. Brandt, and gave the new chairman a solid endorsement, with 404 of a possible 423 votes. By a smaller margin, the delegates chose a leftist, Oscar Lafontaine, as one of two deputy chairmen.

Mr. Vogel, 61, said that the left-of-center Social Democrats were "the party of hope," but he acknowledged that he had no ready-made "formula for new victories."

The Social Democrats have lost the last two national elections in January of this year and in 1983. Mr. Vogel was the candidate for chancellor in the race four years ago, when he lost to the Christian Democrat, Helmut Kohl.

Mr. Brandt, 73, had hoped to serve as party chairman until next summer. But on March 23 he was forced to announce his intention to resign after the party rebelled against his nomination of a young Greek family friend as party spokeswoman.

The controversy brought to a climax simmering unhappiness within the party over what was viewed as Mr. Brandt's domineering style and his reluctance to make way for a new generation.

Mr. Brandt defended his choice of Margarita Mathiopoulos for the spokeswoman's job, but he conceded that he was sorry about the controversy. Ms. Mathiopoulos was criticized because she was neither a West German citizen nor a Social Democrat, and she later withdrew from consideration for the post.

"Let me say in all openness that I would have preferred a different departure," Mr. Brandt said.

"I've made my mistakes," he said. "I've not always considered everything that needed to be considered. I'm sorry. And that's it."

Mr. Brandt, who was chancellor when the Nobel Peace Prize in 1971 for his Ostpolitik of building better relations with the Soviet bloc, said that a proposed U.S.-Soviet accord to slash medium-range missile arsenals was not an adequate substitute for political efforts to guarantee peace.

He also criticized the conservative view that East-West détente should proceed only if Communist countries improve their human rights policies.

Ethiopians Voting for Assembly

ADDIS ABABA, Ethiopia (AP) — Ethiopians were voting Sunday in their first parliamentary elections since the revolution of 1974, and the vote was seen as a way to legitimize the one-party, largely military regime of Lieutenant Colonel Mengistu Haile Mariam.

Registered voters, numbering more than 14.5 million, were given a choice in secret ballots of three carefully selected candidates for most of the 835 seats, although the candidates were not necessarily members of the Workers Party of Ethiopia.

The national assembly to be elected will in turn elect a state president under a new socialist constitution. The assembly will be the supreme authority in a Soviet-style People's Democratic Republic of Ethiopia, expected to be proclaimed in September.

For the Record

Algeria's biggest post-independence trial opens Monday before the state security court at Medea, 100 kilometers (60 miles) south of Algiers.

A total of 202 Moslem fundamentalists face a variety of charges, including assassination and robbery.

Prime Minister Yitzhak Shamir was to leave Israel Sunday night for official visits to Togo, Liberia and Cameroon in a week-long tour, undermining Israel's efforts to renew ties with black Africa.

(AP)

(Reuters)

(UPI)

(Associated Press)

(TASS)

(AFP)

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Paris Air Show, June 11th-21st 1987.



Silvan Steimann photo

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Dassault International



Business takes off with Falcon

late May. "We don't need to play a game of chicken. We need to run the system on cold instead of hot,"

ment this year. "It's the experience level we're worried about," said Vic DePaula,

generated — that airline travel is disintegrating into chaos, the proposal will figure as a major bar-

rier to future market expansion," he said. "It carries aloft our vehicle equipment bay, responsible for command-

cooperative than us."

For Lake Wobegon, 3 Million Goodbyes

By Dirk Johnson

New York Times Service

SAINT PAUL, Minnesota — Down at the Chatterbox Cafe, nobody's feeling quite up to snuff, not even the Norwegian bachelor farmers.

Garrison Keillor, the native son and storyteller of Lake Wobegon, "the little town that time forgot" and the decades cannot improve, bade farewell Saturday.

Before a sentimental audience in the World Theater here, the tall man in red suspenders delivered his final installment of "A Prairie Home Companion," the affectionate satire of small-town life that was first aired on Minnesota Public Radio 13 years ago and grew to become the most popular program in public radio, reaching more than three million listeners a week.

"Sinclair Lewis and others wrote about small towns as unbearable, overpowering machines that force people into conformity," Mr. Keillor said between bites of roast beef and string beans in his theater dressing room. "I never saw it that way."

The author of the best-selling novel, "Lake Wobegon Days," Mr.

Keillor, 44, a bespectacled, painfully shy native of Anoka, Minnesota, had lately complained that fame was getting in the way of his writing. So, in search of a quiet corner for his typewriter, he will move this week to Copenhagen with his Danish-born wife, Ulla.

There, he said, he will concentrate on nonfiction articles for The New Yorker magazine, "Leaving Home," a collection of short stories about Lake Wobegon, will be released this fall.

"I've simply come to the point where my material isn't as good as I want it to be," he said. "It's time to pull away, listen to the way people talk. I need the discipline of reporting to get back my ear for dialogue."

The largely improvisational variety show, which mixed jazz and bluegrass folks and ethnic music with comedy skits and letters from listeners from Manhattan to Melbourne, Australia, was best known for its "News from Lake Wobegon," the central Minnesota farm town that listeners can easily locate, even if mapmakers cannot.

It is the home of the Chatterbox Cafe, where Dorothy pours coffee for the Norwegian bachelor farmers

who raise the wheat used in Powdermilk Biscuits, a food somewhat enough to "give shy persons the strength to get up and do what needs to be done."

The biscuits are on sale along with everything else at Ralph's Pretty Good Grocery. "Remember, if you can't find it at Ralph's, you can probably get along without it."

And everybody knows Bob the banker. He runs the friendly financial institution in the green mobile home right on Main Street, where every check you write has a picture of Bob on it and the inscription: "Cash this. They're friends of mine."

If you're planning a visit to Wobegon, don't wait too long. You'll miss the big parade sponsored by "The Sons of Knute." And don't be afraid of the barking dog. That's just Buster, the show dog.

Mr. Keillor, who never gives his name on the show, draws heavily on remembrances from his childhood in creating his characters.

"Eight or ten of them are people I could point to," he said. "And the rest are composites."

When the show began, he recalled, there were sometimes more people on stage than in the seats.

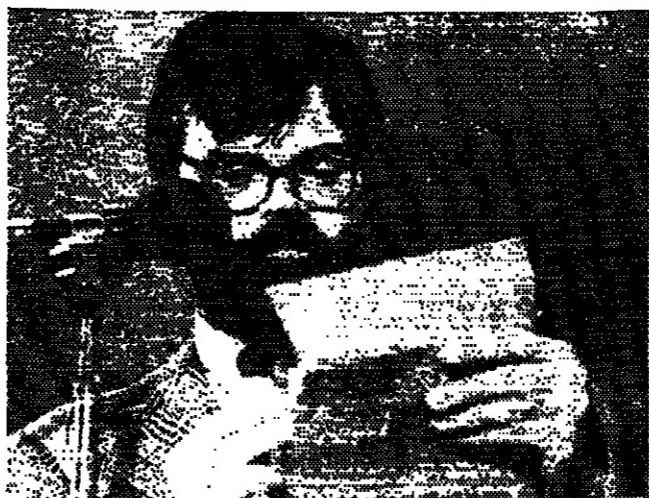
But in recent years, tickets have been sold out long before each performance. The World Theater, meanwhile, has been transformed from an abandoned, dilapidated building into a refurbished showcase for the fine arts.

Across the country, "A Prairie Home Companion" inspired intense devotion and loyalty among its fans. At a Friday night benefit show, with proceeds going to the World Theater, fans came from as far away as Massachusetts and Oregon.

In his news broadcast from Wobegon, Mr. Keillor alluded to his decision to leave the show. He talked about his childhood in Lake Wobegon, when the small lake in the little town seemed more like an ocean, not surrounded by land, with an opening to the world and "whatever I wanted to go."

Now, he said, that little boy was setting out on those waters.

"I don't know what's around that bend, but when I do, I'll be sure to let you know," he said. "And that's all the news from Lake Wobegon, a little town where all the women are strong, all the men are good-looking, and all the children are above average."



Garrison Keillor reads letters from listeners during a broadcast of Public Radio's "A Prairie Home Companion."

FBI Infiltrates Cocaine Rings

New York Times Service

WASHINGTON — The FBI has announced scores of arrests of people accused of running narcotics money-laundering rings, among them seven Colombians. Undercover agents processed sums totaling \$175 million in the three-year operation.

The agents infiltrated the money-laundering rings of four Colombian cocaine trafficking groups, resulting in charges against 160 people and the seizure of millions of dollars worth of assets, drugs and cash, FBI officials said. The operation ended Friday with arrests in eight U.S. cities and on the Island of Aruba.

Tehran Denies Reports That It Is Holding Waite And Americans in Iran

The Associated Press

BEIRUT — The Iranian Embassy denied Sunday that Terry Waite, the missing Anglican Church envoy, or any of the eight American hostages in Lebanon have been taken to Iran.

"None of the hostages is in Tehran," said a spokesman for the embassy's press section. "The Iranian Islamic republic has nothing to do with the hostages, whomsoever they are."

"We also deny that Terry Waite has been taken to Tehran," said the spokesman, who declined to be named.

The statement was in response to a report Saturday in a Lebanese weekly magazine, Ash Shaara, that some of the American hostages had been taken to Iran, where a powerful faction wants them put on trial.

In Washington, a State Department spokesman, Pete Martinez, said the U.S. had no information to substantiate the report by Ash Shaara, which first reported the trip to Iran by U.S. officials in an attempt to free hostages in Lebanon.

"However," Mr. Martinez said, "if such reports were indeed true, we would consider it a matter of the utmost gravity and would hold the Iranian government directly responsible for the safety and well-being of the hostages."

He added: "In any case, the very notion of a 'trial' for the hostages is outrageous. The hostages are not criminals but innocent victims. The terrorist kidnappers are those who should be facing trial."

■ Iranian Politics Cited

Nora Bouantay of The Washington Post reported earlier from Beirut.

Ash Shaara, editor and publisher of Ash Shaara, told Reuters Saturday that the American hostages were transferred to Iran some months ago and definitely before the deployment of Syrian troops in West Beirut.

He was quoted as saying the hostages were moved "as a means of pressure against the United States."

The report by Ash Shaara said that some of the American kidnapping victims were "actually in Iran and are under severe interrogation."

Communists Pick Candidate for French Election

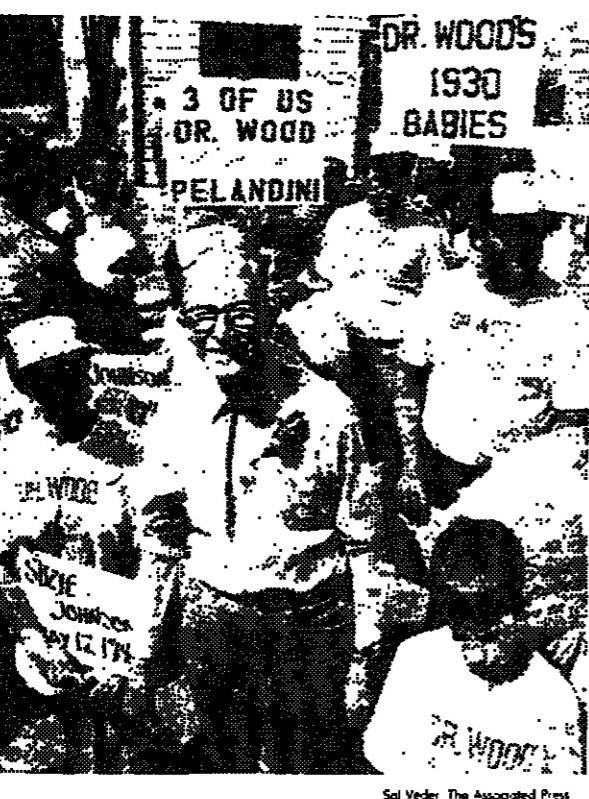
Reuters

PARIS — The French Communist Party ratified a pro-Moscow hardliner, Andre Lajoinie, 56, to run in the 1988 presidential elections. He was elected by 98.8 percent of the vote Saturday during the party's national conference.

The party, firmly aligned with the Soviet Union, split with President Francois Mitterrand's Socialists in 1984, withdrawing from the government.

Delegates jeered Pierre Juquin, the leading reformer of the party's central committee, when he appealed to the conference not to back Mr. Lajoinie. He said that supporting the hand-picked candidate of George Marchais would be "voting for the death of the French Communist Party."

Mr. Marchais, head of the party for 15 years, has presided over a decline in the party's fortunes. Once the most powerful single party in France, the Communists now have about 10 percent of the vote.



THEY'RE ALL HIS BABIES — Dr. George W. Wood with some of the approximately 2,000 people whose birth he attended during his 61-year practice in St. Helena, California. Hundreds of them honored him Saturday on his 91st birthday in the town of 5,100. Dr. Wood, who has no children of his own, retired at age 90.

Hollywood Battles to Cut Back On Spectacular Cost of Films

The American film industry is battling runaway costs in ways large, small and peculiarly Hollywood. The New York Times reports. Although theatrical film rentals have been good at \$1.67 billion in 1986, and home video sales even better, at \$2.16 billion, the cost of an average film made by a major studio rose from \$2.3 million in 1975 to \$8 million in 1980 to \$17.5 million last year. This does not include marketing expenses of \$7.5 million, plus financing costs and studio overhead.

Inflation, casualness about expenses, loss of the investment tax credit and huge salaries — \$16 million to Sylvester Stallone for his next Rambo role, \$1,500 for some Teamsters union chauffeurs — are blamed. So are some profigate Hollywood habits dating from the days of silent films. Studio heads change frequently, and the new boss routinely dismisses anyone hired by his predecessor. This can mean huge severance payments. Stars often insist on bringing their own retinues, including cinematographer, makeup artists, stand-in and double, at salaries well over scale. Incompetent executives with friends in high places often are kicked upstairs at double the salary.

On the other hand, Walt Disney Co. made "The Color of Money" in 1986 for \$13.8 million despite the film's high-salaried stars, Paul Newman and Tom Cruise, and director, Martin Scorsese. They were to be paid in full only if the film came in on budget. It was finished \$1 million under budget.

AMERICAN TOPICS

Short Takes

The Algonquin Hotel in Manhattan has been sold to a Tokyo company's Brazilian subsidiary, which pledges to maintain the hotel's character and traditions. The Algonquin is best known for the wits like Robert Benchley, Dorothy Parker and Alexander Woolcott who gathered for meals at its Round Table in the 1930s. Ben Bodine, 85, who had run the hotel for 41 years, stated four months ago that he favored designating it a historic landmark, meaning it could not be torn down or substantially altered. That remains a possibility.

Volunteer charity work continues to grow despite the high mobility of U.S. families, the increasing number of women in the work force and assertions that Americans are increasingly preoccupied with their own material well-being. A Gallup poll found that as many as four in 10 adult citizens who were surveyed said they were involved, in one way or another, in such activities as helping the underprivileged, the infirm or the elderly. This is the high point of a 10-year trend, with 27 percent reporting such charitable work in 1977 survey.

Donors to the New Orleans symphony can dial (504) 976-2767 and hear 30 seconds of recorded music and a voice thanking them for contributing to the orchestra. Then \$25 is automatically added to their next phone bill. "It's the easiest way possible to give money to the symphony," said Anne O'Brien, a spokeswoman. Those who dial the number accidentally will be reimbursed.

Notes About People

Such presidential aspirants as George Bush, Jack F. Kemp, Alexander M. Haig Jr., Bruce Babbitt, Paul Laxalt, Albert Gore and Pat Robertson all have the same final four digits in the telephone numbers of their Washington campaign headquarters: 1983. The number of Michael Dukakis' headquarters is 1-800-USA-MIKE. Paul Simon did not get a 1988 because, said Paula Nixon, a spokeswoman, "he doesn't need stuff like that."

Mae C. Jemison has become the first black woman selected by the National Aeronautics and Space Administration for astronaut training. Dr. Jemison, 30, a physician in general practice at a Los Angeles medical center, was one of four civilians and 10 military officers selected from 1,962 applicants. Born in Decatur, Alabama, she was raised in Chicago and spent two years as a Peace Corps doctor in West Africa. "I try to do things that are interesting to me," she said, and as for being a role model, "If I can be an inspiration to anyone, then that's an added benefit."

Brooke Shields, who entered Princeton University in the fall of 1983, graduated on schedule with her class this month. The film actress, who is 22, graduated with honors in Romance languages. "I did it," she declared at her first and last campus press conference. "I've proven something to myself. I didn't expect to get honors but I worked as hard as I could from day one."

—ARTHUR HIGBEE

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Italy Lira	380,000	210,000	115,000	Lira 756 Lira 275,200
Luxembourg L.Fr.	11,500	6,200	3,400	L.Fr. 18.41 L.Fr. 6,700
Netherlands Fl.	650	360	198	Fl. 1.21 Fl. 449
Norway* N.Kr.	1,390	960	540	N.Kr. 3.05 N.Kr. 1,110
Portugal Esc.	22,000	12,000	6,600	Esc. 64.56 Esc. 23,500
Spain* Pts.	29,000	16,000	8,800	Pts. 55.33 Pts. 20,140
Sweden* S.Kr.	1,800	960	540	S.Kr. 3.05 S.Kr. 1,110
Switzerland S.Fr.	510	280	154	S.Fr. 1.10 S.Fr. 400
Rest of Europe, North Africa, former French Africa, Middle East \$	450	250	125	Varies by country
Rest of Africa, Gulf States, Asia: \$	580	320	175	

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Congressional Panel Says Officers on Stark Failed to React in Gulf

By George C. Wilson
Washington Post Service

WASHINGTON — The House Armed Services Committee has said that the officers of the USS Stark failed to react soon enough to the threat of an approaching Iraqi aircraft in the Gulf on the night of May 17 when Exocet missiles slammed into the ship, killing 37 sailors.

"With 20-20 hindsight, the evidence shows the Stark should have radioed a warning to the Iraqi Mirage much sooner and should have turned broadside to unmask all its equipment, radar and weapons so they could have been brought into action," the committee chairman, Representative Lee Aspin, Democrat of Wisconsin, said in releasing a preliminary report on the disaster.

The report was based on a field investigation by the committee staff.

Mr. Aspin said the investigation indicated that "a confluence of omissions" by the ship's personnel and by the Iraqi pilot caused the tragedy, not faulty equipment or inadequate rules of engagement.

Among the findings in the report were the following:

- The ship's officers did not warn the Iraqi pilot in time or take proper precautions. When the Iraqi plane was 43 miles (70 kilometers) away, a petty officer asked if a warning should be issued but was told not to do so by the tactical action officer. Warnings were sent when the plane was 13 and 11 miles away, and "it is possible that both missiles were fired before we warned the plane," Mr. Aspin said.

- The Iraqi pilot failed to tune in to or heed the warnings and fired his missiles at a radar blip rather than looking to see what he was shooting at, as do Iranian and other pilots flying over a waterway crowded with ships of many nations.

- Captain Glenn R. Brindel was in his cabin, having just used the toilet, when the missile hit, and he said in a written statement that he was not informed that the plane was making a close approach.

- An audio alarm designed to alert the ship to incoming missiles was turned off because of too many false alarms. The report said it was probable that a crewman watching a radarscope "was distracted and missed the visual signal" that should have appeared on his screen.

- The lookout who first detected the missile was not told of the Iraqi plane and did not tell his superiors about his first sighting. "Only sec-

onds before impact, the lookout realized it was a missile, started screaming 'Inbound missile, inbound missile, and hit the deck,' the report said.

• Three days earlier, the destroyer USS Coontz had a similar experience with an approaching Iraqi Mirage. The plane turned out to have another target, a tanker, but the Coontz reacted properly, radiating its first warning 39 miles away. It turned to allow its weapons to be used against the plane, an antiaircraft missile was loaded into a launcher, and chaff, designed to divert an incoming missile, was prepared for firing.

The committee stressed that it did not have all the facts when it wrote its report, and it termed the successful efforts of the officers and crew in keeping the Stark from sinking after it was hit "nothing short of heroic."

The inquiry did not include interviews with the Stark's skipper or three other key officers. But in a short written addendum to the committee report, Captain Brindel listed questions that may form the basis of his defense if the navy decides to court-martial him. A navy investigation is under way.

One question, Captain Brindel said, is why he was not informed that the ship's radar was tracking the approaching Iraqi plane and had determined that it would come within 10 miles of the Stark if it continued its southerly course.

The captain also asked why the Stark's combat team "was unable to defend this attack" and "why no missile launch was detected on the air search, fire control radars" or the receiver that is supposed to identify the plane or missile that is emitting radar signals in the area.

Captain Brindel disclosed that while the Iraqi plane was still at a safe distance he had ordered the Stark to conduct a full-speed run, a test during which the ship is run at full power. Navy skippers say this is a demanding operation that is seldom conducted when a ship is on patrol at night in a dangerous and congested area like the Gulf.

Navy officials said it is likely that Captain Brindel and key officers and sailors were focused on the test rather than the approaching Iraqi plane.

The committee report said the Stark clearly was outside the zone where Iran had said it would operate its ships.

■ China Arms Link Denied

Iran's foreign minister, Ali Akbar Velayati, denied Saturday that his country had received any weap-



Glenn R. Brindel

Geraldine Page Dies; Actress Was 62

The Associated Press
NEW YORK — Geraldine Page, 62, a Broadway actress for more than 40 years and the winner of an Academy Award and two Emmys, died Saturday at her Manhattan home, apparently after a heart attack.

Miss Page had been nominated for a Tony award for "Blithe Spirit," a Noel Coward comedy on Broadway in which she portrayed an eccentric medium who contacts the dead.

She had missed a Saturday matinee performance, and police said she was later found dead.

Miss Page won an Academy Award for best actress last year for her role in the film "A Trip to Bountiful," in which she played an aging woman who returns to her home town.

Other of her recent films were "I'm Dancing As Fast As I Can" in 1982 and "The Pope of Greenwich Village" in 1984.

Miss Page also won Emmys in 1966 and 1967 for the outstanding single performance by an actress in a television drama.

She was born in Kirkville, Missouri.

Miss Page was married twice, first to Alexander Schneider and then to Rip Torn, an actor; both marriages ended in divorce. She had two sons and one daughter.

Miss Page was a fluttery-voiced, girlish actress who specialized in playing neurotic, lost women, especially

the heroines of Tennessee Williams. She first gained notice on stage in 1952 while playing Alma Winemiller, the repressed spinster in a revival of Williams' "Summer and Smoke."

The play failed on Broadway four years earlier, but Miss Page's performance impressed critics and audiences. It was one of the earliest successes of this fledgling off-Broadway movement.

Her greatest success came in 1959 as the Princess Kosmonopolis, an aging film star, in Williams' "Sweet Bird of Youth," in which she played opposite Paul Newman. Another big success was in N. Richard Nash's comedy "The Rainmaker."

Brooks Atkinson, a theater critic of The New York Times, once wrote of her: "Miss Page is not a forceful woman; she does not impose herself on the parts she plays. But somewhere behind and beneath the modesty and prosiness of her personality lies an extraordinary perception, which illuminates the characters she plays."

Ralph Guldahl, 75, A Leading Golfer in '30s

NEW YORK (NYT) — Ralph Guldahl, 75, a tall Texan who dominated professional golf in the late 1930s only to give up the tour for lack of interest, died in his sleep Thursday at his home in the Los Angeles suburb of Sherman Oaks.

He was the golf professional at the Braemar Country Club in Tarzana, California.

In a span of four years he won the Western Open in 1936, 1937 and 1938; the United States Open in 1936 and 1937; and, after two straight second-place finishes, the Masters in 1939. He also played on

Alexander Iolas, 78, Greek Dealer in Pop Art

ATHENS (AP) — Alexander Iolas, 78, a leading Greek art dealer and patron of pop art, died Monday in a New York hospital, friends said Wednesday. The cause of death was not given.

The last major exhibit organized by Mr. Iolas was "Andy Warhol's Cenacolo," unveiled in a Milan piazza.

Mr. Iolas, who was born in Alexandria, Egypt, first won fame as a young dancer in the neo-classic Greek style of Isadora Duncan. He danced in salons in Rome, Berlin and Paris before moving to New York, where he opened an art gallery in Manhattan that he later said "introduced Americans to Cubism."

■ Other deaths:

Elizabeth Hartman, 43, an actress nominated for an Oscar for her first film role in the 1966 movie "A Patch of Blue," Wednesday after she jumped from a building in Pittsburgh.

Leo Sullivan, 66, a former editor at The Washington Post and public relations director of the Kennedy Center, Wednesday of cancer in Washington.

Raya Dunayevskaya, 77, an author, lecturer and former secretary to Leon Trotsky, Tuesday in Chicago.

Daniel Mandell, 92, a film editor who won Oscars for "Pride of the Yankee" in 1942, "Best Years of Our Lives" in 1946 and "The Apartment" in 1960, in Newport Beach, California.

three consecutive Ryder Cup teams, in 1957, 1959 and 1961.

Tuvia Bielsky, 81,

Led Jewish Anti-Nazi Troop

NEW YORK (NYT) — Tuvia Bielsky, 81, the leader of an armed band of Jewish partisans in Nazi-occupied Belarusia that was known as Bielsky's Brigade, died Friday in Brookdale Hospital in Brooklyn. A resident of Brooklyn, he used the surname Bell.

Beginning in 1941, Mr. Bielsky's group operated against the Nazis from the forests of the Novogrudok region of Belarusia in the Soviet Union, harboring Jewish families and conducting raids against the German occupiers.

■ Other deaths:

Elizabeth Hartman, 43, an actress nominated for an Oscar for her first film role in the 1966 movie "A Patch of Blue," Wednesday after she jumped from a building in Pittsburgh.

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Raya Dunayevskaya, 77, an author, lecturer and former secretary to Leon Trotsky, Tuesday in Chicago.

Jack Dunn, 34, 65, a longtime Baltimore Oriole executive, Thursday in Baltimore after heart bypass and colon surgery.



Geraldine Page, with the Oscar she received last year for best actress.

John Davenport, 82, an author and free-lance writer who was a former assistant managing editor of Fortune magazine, Monday in Red Bank, New Jersey.

Jack Dunn, 34, 65, a longtime Baltimore Oriole executive, Thursday in Baltimore after heart bypass and colon surgery.

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July 10, 1987

Uncertainty Shadows Conciliatory Moves by Chun's Likely Successor

By Clyde Haberman
New York Times Service

SEOUL — As Roh Tae Woo, the man almost certain to be South Korea's next president, was talking about his desire for political reconciliation at a news conference last week, members of his party sat behind him, coughing and dabbing their eyes with handkerchiefs.

Unexpectedly, they had taken in nasty gulps of tear-gas fumes that clung to the clothing of reporters and photographers.

There was mild irony in the discomfort of the ruling group, which was suffering what many of its fellow citizens have endured in tur-

moil in Seoul's streets. For days, riot policemen had saturated the center of the city with tear gas to end demonstrations by student radicals committed to toppling the authoritarian government.

Skirmishes between dissidents and the police were the most violent and prolonged street actions that the capital had seen in several years.

As the protests continued into the weekend, they cast a menacing shadow over what was to have been Mr. Roh's week of triumph.

On Wednesday, 7,300 delegates at a convention of his Democratic Justice Party acclaimed him as their presidential nominee.

The convention was window dressing. The only note that really counted had been cast a week earlier when President Chun Doo Hwan named Mr. Roh, his old friend and fellow former general, to succeed him next February.

The street clashes that followed Mr. Roh's nomination indicated the delicacy of his political situation as he prepares to become president.

Not that the band of militant students seems capable of attracting the broad popular support needed to upset the transition. But, as one foreign diplomat put it, "They can make it messy."

It was already messy enough for Mr. Roh. As a key player in Mr. Chun's bloody consolidation of power seven years ago, Mr. Roh faces the same challenges to his legitimacy that have dogged the incumbent president.

One difficult task he faces is to carve a distinct political identity for himself quickly. There are signs he is trying.

Last week he called on the main anti-government party to join in a political dialogue. He proposed — without offering specifics — fewer constraints on the press and on

provincial governments. And he said he was willing to discuss the length of his term in office with opposition leaders.

That last effort was seen as a gesture of willingness to eventually resume an essential debate ended abruptly by Mr. Chun: how to change the constitutional process for selecting the national leader.

Pressure may mount for Mr. Roh to convince Koreans he is serious about a dialogue. A likely move would be for his party to advocate changing the electoral college rules to make them fairer; this could lure the opposition to participate in the process and make it seem more legitimate.

But the opposition will probably stick to its boycott plans. Moreover, it is hard to imagine that any of Mr. Roh's pledges might change general attitudes about a government widely seen as unpopular.

Mr. Roh cannot guarantee quick delivery on anything he proposes, for Mr. Chun says he intends to wield power up to Feb. 25, 1988.

While his heir apparent talked about democracy to party delegates last week, Mr. Chun barely mentioned the word in his own speech.

It has long been plain that Mr. Chun considers his intention to leave office — the first South Korean leader prepared to do so voluntarily — as being of itself the most important step toward democracy that the country has taken.

Unlike Mr. Roh's remarks, the president's comments emphasized the need to stay with radicals. "no matter what sacrifice may be necessary."

A question is whether Mr. Roh will indeed be a substantive change from Mr. Chun. Mr. Roh himself agrees he will pursue his predecessor's basic policies, with their overriding concern for national security, economic progress and limited political dissent.

The major difference, experts say, may involve personal style. Mr. Chun talks incessantly and does not listen, people who have spent time with him say. In contrast, Mr. Roh is said to have accepted the rough-and-tumble of party politics and is more willing to listen.

In the meantime, South Korea must deal with other pressures. The perceived threat from North Korea is likely to persist, and an approaching presidential election year could affect U.S. attitudes.

He mentioned Sri Lanka and Fiji as recent examples where ethnic tensions and impervious to tear-gas barrages. Still, they seem unlikely to be able to trigger massive unrest that could bring down the government.

And, as always, there are the students. They are disciplined, committed and impervious to tear-gas barrages. Still, they seem unlikely to be able to trigger massive unrest that could bring down the government.

There was no imminent danger of this happening in Singapore, he said, adding: "But we are not nec-



UN Troops, Protesters Scuffle on Cyprus

United Nations peacekeepers trying to keep Greek-Cypriot demonstrators from passing through a cease-fire line near Nicosia on Sunday. The women wanted to cross to the Turkish occupied north and go to the Turkish Embassy to protest the division of the island. Many of the demonstrators were refugees who fled from the northern part of the island during the 1974 invasion by Turkish forces.

SEOUL: Students Occupy Cathedral but Violence Ebbs

(Continued from Page 1)

dental advisory council to safe-guard minority rights.

Mr. Rajaratnam, a close associate of Mr. Lee, said a group of young ministers headed by Goh Chok Tong, first deputy prime minister, was playing a leading role in working out these proposals.

The Western democratic process, Mr. Rajaratnam asserted, was "breaking up in parts of Asia. The South Pacific and Africa because of racial and religious intolerance and rampant corruption."

He mentioned Sri Lanka and Fiji as recent examples where ethnic tensions and impervious to tear-gas barrages. Still, they seem unlikely to be able to trigger massive unrest that could bring down the government.

There was no imminent danger of this happening in Singapore, he said, adding: "But we are not nec-

essarily immune. We need to construct protective walls."

Singapore emerged from a period of racial tension, high unemployment and Communist agitation in the 1960s to become a stable multicultural country with one of the highest living standards in Asia.

The People's Action Party won 77 of 79 seats in Parliament at the last elections in December 1984 and has the necessary votes to make the required constitutional changes for electoral reform. The party has always run a multiracial slate of candidates.

However, Mr. Rajaratnam said, there was currently no requirement for opposition parties to do so.

He said the government regarded the proposal to introduce three-member constituencies as a means of discouraging any party from trying to win office by appealing to particular racial, religious or linguistic communities.

Other People's Action Party sources said legislation to combine 30 to 33 single-member constituencies into larger voting units, each with candidates standing under one party banner, might be put to Parliament for approval in the last quarter of 1987.

Chiam See Tong, an opposition member of Parliament, said the People's Action Party's superior organization and resources would give it an unfair advantage in campaigning for three-member electorates.

"The end result, as I see it, could be perpetual and absolute control by the PAP," he added. Government sources denied this. They said that if anti-government feeling was strong, the party risked losing seats in multiples of three.

They said that the establishment of an elected presidency was dependent on the timing of Mr. Lee's retirement as prime minister.

Mr. Lee foreshadowed his intention to step down when he referred at a National Day rally in 1984 to the practice of chief executive officers in U.S. corporations retiring at 65 after ensuring a smooth succession.

In an American television interview, a summary of which was published in Singapore on Sunday, Mr. Lee said he had not made up his mind when to retire but would probably make the decision next year. He will be 65 in September 1988.

Mr. Lee is the logical candidate to become Singapore's first elected president, and his occupancy of that post will help sustain confidence in the future of the country, Mr. Rajaratnam added.

Mr. Goh, the first deputy prime minister, is considered by most political analysts to be the most likely candidate to succeed Mr. Lee.

SINGAPORE: Electoral Shifts

(Continued from Page 1)

Mr. Rajaratnam, a close associate of Mr. Lee, said a group of young ministers headed by Goh Chok Tong, first deputy prime minister, was playing a leading role in working out these proposals.

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(Continued from Page 1)

Popejuszko, the slain pro-Solidarity priest, in a ceremony at St. Stanislaw Kostka Church that was witnessed by thousands of followers.

Later, the pope celebrated the last, large outdoor Mass of his journey in front of a huge Gothic skyscraper placed by Josef Stalin in the center of Warsaw.

In a farewell address to Poland's bishops, John Paul made clear that he expected the Roman Catholic Church in Poland to carry on a vigorous battle for human rights and the expansion of political liberties even as it sought a more stable

relationship with the Communist government.

Sounding a note of conciliation with the government, John Paul indicated that the establishment of formal ties between the Vatican and Poland, long sought by General Jaruzelski, was a real and in many ways desirable prospect.

However, the pope cautioned, "We are facing a serious work," which he said was aimed not only at the realization of formal ties but also at "making it credible for the nation and the church."

The church, he added, should seek "collective cooperation" but

"must not overlook" such matters as human rights and the principle of participation in the political sphere "without discrimination."

The pope's remarks and his willingness to meet a second time with General Jaruzelski appeared intended to add a final note of balance to a visit in which John Paul was otherwise unrelenting in his political demands on the government and almost unqualified in his support for the opposition.

During his week in Poland, the pope met privately with and served communion publicly to Lech Wa-

lesa, the Solidarity leader, called for a rethinking of "the very premises" of the Communist order, and told hundreds of thousands of cheering supporters in Solidarity's birthplace in Gdansk, "I pray for the special heritage of Polish Solidarity."

The authorities responded to the pope's tour with a show of police force unseen since the period of martial law imposed under General Jaruzelski from December 1981 to July 1983. The pope's comments on Solidarity were censored from state media, and television coverage was strictly limited.

A leaflet bearing his signature and distributed June 2 outside the Lyon courthouse denounced publicly about "the Holocaust" as "Shoah-business," a play on "Shoah," the title of Claude Lanzmann's nine-hour film on the Holocau-

POPE: Jaruzelski Upbraids John Paul, Sees 'Alien Manipulations' of Truth

(Continued from Page 1)

statis and his willingness before the war, became editor of the collaborationist weekly *Le Suis Partout* (*I Am Everywhere*).

In one editorial he called for the execution of Communist politicians held in French prisons, denouncing "these men who are moral accomplices" of Resistance fighters.

"Why are we waiting to strike them?" he wrote. "What are we waiting for to shoot the Communists deputies who are already imprisoned?"

He was shot on Feb. 6, 1945, at age 36, after the rejection of a plea for mercy signed by several other

prisoners.

As White House officials view it, the next phase calls for a public campaign by Mr. Reagan devoting as much time to answering questions about the Iran-contra affair as he did about the summit meeting and the Gulf.

On budget priorities, Mr. Reagan and the congressional Democrats have been at odds since the beginning of the year, with the president continuing to oppose tax increases or defense cuts.

White House strategists have watched with some satisfaction as the Democrats have been unable to agree among themselves on an alternative to the president's priorities. During this period, Mr. Reagan spurned Democratic appeals for negotiations on the budget.

As White House officials view it, the next phase calls for a public campaign by Mr. Reagan devoting as much time to answering questions about the Iran-contra affair as he did about the summit meeting and the Gulf.

At several places around the cathedral Sunday, demonstrators and police again fought battles with stones and tear gas.

The violence was limited, however, and on Sunday night, for the first time in five days, the streets of central Seoul seemed returned to normal activity.

Meanwhile, in the city of Chonju about 2,000 Protestant clergymen and lay people were reported to have staged a march.

Otherwise, protests in provincial cities appeared to have tapered off.

On Saturday, policemen wearing helmets and gas masks chased demonstrators in the streets of Seoul into the night, sometimes pursuing them into private homes. At times, the police were showered with chunks of broken pavement and gas-line bombs.

The violence was limited, however, and on Sunday night, for the first time in five days, the streets of central Seoul seemed returned to normal activity.

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For Aquino, Shultz Has Praise, but No More Aid

By Neil A. Lewis
New York Times Service

MANILA — Secretary of State George P. Shultz arrived here over the weekend bearing expressions of good will but no financial aid bonuses for the government of President Corazon C. Aquino.

"When you think of what they have accomplished in the Philippines in what, a year and a half or something like that," Mr. Shultz said aboard his plane en route, "it's quite a success story."

He said economic initiatives had resulted in a real growth rate of more than 5 percent for the last quarter. "Their foreign exchange position is pretty good, and they have rescheduled their debt," he said. "They really have done quite a job."

He also praised Mrs. Aquino for taking a harder military line against the Communist insurgency after having first tried an offer of amnesty to induce the rebels to lay down their arms.

But Mr. Shultz said he regretted that overall budget cuts this year had resulted in a \$50 million reduction in what Washington had hoped to provide in military aid to Manila.

The United States is giving the Philippines \$413 million in overall aid this year, including \$50 million for the military. The administration originally had sought about \$100 million in military aid.

"I think the United States can say we've done well," Mr. Shultz said, "except I wish we had not had to reduce the military assistance program in the way we did."

When he meets with Mrs. Aquino on Monday, he is to sign an



Some of about 2,000 backers of Former President Ferdinand E. Marcos, picketing George P. Shultz's Manila hotel Sunday.

Hernando Magsaysay/The Associated Press

agreement to deliver \$163 million of this year's aid, but this is money that has already been allocated.

"We don't have any extra money for this year," a U.S. official said. "The main purpose of the visit is to show the flag, to reassure Cory we haven't forgotten her."

Philippine officials have been expressing irritation and disappointment that U.S. aid has been slow in coming and have said that this has hampered their efforts to battle the rebels. One U.S. official said that the complaint was unfounded but that the Manila government was edgy because of the recent election and the continuing fighting.

Nonetheless, the United States delivered 10 helicopters to the military early in June.

"The basic judgment of the intelligence community is that the insurgency has continued to grow," the U.S. official said, "but at a much slower rate."

One issue that is in the background of the Shultz-Aquino talks but is not likely to be discussed is the future of the U.S. bases in the Philippines.

The agreement on the bases expires in 1991, but U.S. officials said they were not pressing Mrs. Aquino to settle the issue.

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INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

Thatcher Triumphs Again

Margaret Thatcher set out in 1979 to change the course of British politics. To a remarkable degree she has succeeded, and now, in another great triumph, she has won five more years for her Conservative Party to push the country toward, as the prime minister might put it, the virtues of self-reliance and individual initiative.

For America, Mrs. Thatcher's victory also means a stable and reliable ally that found the Labor Party's view of the world alarming.

Mrs. Thatcher's style of leadership is, by any standard, aggressive. Her manner is deliberately divisive, and British politics has become increasingly polarized. The Alliance of Liberal and Social Democratic parties, which stands for the old style of consensus politics, was the biggest loser in Thursday's voting. The split in her opposition between Labor and the Alliance has enabled Mrs. Thatcher to win large parliamentary majorities with less than half of the

popular vote. On Thursday the Conservatives got just over 42 percent of it, close to their share in 1983 and 1979.

The past eight years have been good ones for many in Britain. But the disparities have been widening. The South prospers while the North is deep in depression. Most of heavy manufacturing keeps sinking while other industries, particularly those involving finance and electronics, do conspicuously well. Unemployment has been stuck around 11 percent for five years; there is now a subclass of the more or less permanently unemployed.

If the British economy is being strengthened, this is being achieved at a substantial cost. But Mrs. Thatcher has unquestionably given much of her country a sense of pride and possibility that was not there when she first came to power. This extraordinary third consecutive victory, a feat unparalleled in modern British history, now enables her to continue her campaign for national renewal.

— THE WASHINGTON POST.

Five Crimes of Conscience

Fawn Hall, secretary to Oliver North of the National Security Council staff, smuggled her boss's documents out of the White House on Nov. 25 as the administration shut down its Iran-contra operation. It was not a cover-up; she told Congress last week; she was merely "protecting" the enterprise. From whom? From everyone. Outsiders were threatening the hostage negotiations and new aid for the Nicaraguan rebels.

Senator Warren Rudman protested. "Well, it wasn't the KGB that was coming. Miss Hall; it was the FBI." No use. Oliver North's loyal aide knew who the enemy was: not Moscow or Managua, but any opponent of the covert operation, including Congress.

This attitude could hardly be a more banal symbol of the power-lust and contempt for constitutional government unfolding before the investigating committees. Witnesses like Richard Secord, the former general turned arms dealer, and even Robert McFarlane, the octogenarian White House moderate, voiced frustration over the need to share power with Congress and information about terrorism policy with the American people.

What did the Reagan administration do that was so wrong? Lee Hamilton, chairman of the House investigating committee, spelled it out. The administration:

- Created a private network to carry out U.S. foreign policy, contrary to law.
- Ensured philanthropists and profiteers to buy and sell arms for Iran and the contras.
- Sent its emissaries to beg money from third countries.
- Ransomed hostages.
- Lied about it all.

— THE NEW YORK TIMES.

Russia's Other Reformers

The world watches Mikhail Gorbachev's reforms with hope and wonder. President Reagan challenges him to go further with glasnost and tear down the Berlin Wall. East Germans youths trying to hear a rock concert in West Berlin chant his name. How fast and radically can the Soviet system be changed without bringing on reaction?

History offers some answers. Mr. Gorbachev has precursors. Reformers have periodically surfaced in Russia who, seeing their vast country trailing other nations, set out to make changes with some success.

Peter the Great was the grandfather of reformers. He sought, 300 years ago, to remake Russia in Europe's image. Agriculture, scholarship, the military, dress—little escaped his efforts. Peter turned the country into a great empire. Yet he did not radically change the resistant society.

Alexander I in the early 1800s liberalized the state, abolishing the torture of criminals, freeing political prisoners, allowing the sale of foreign books. Fifty years later, Alexander II abolished serfdom in the hope that free labor would be more efficient. He also set up popularly elected local assemblies and introduced jury trials.

Some historians believe the reform movement would have prevailed but for World War I. As it was, of course, communism won out. Yet when Lenin was confronted with a troubled economy in 1921, he responded with his New Economic Policy, partially restoring capitalism. "It is necessary sometimes to take one step backward so we can

take two steps forward," he said. The NEP brought a strong recovery. Yet Stalin threw it out for the rigidly centralized economy that successors have struggled with ever since.

Most familiar as a reformer is Nikita Khrushchev. Like Mr. Gorbachev, he urged cultural thaws and political change as a way to invigorate the economy and overtake the West. Mr. Gorbachev's reforming zeal is pragmatic, like Alexander I's freeing of the serfs or Lenin's NEP. Far from hoping to overtake the United States, he must worry about being overtaken economically by the likes of Brazil or even South Korea.

Yet Mr. Gorbachev presses forward. Hardly a day now passes without another initiative inconceivable even five years ago. Last week he decided on a further loosening of central controls over the economy—but without basic restructuring.

He is succeeding with the intelligentsia. Some urge even farther-reaching economic reforms. For the masses, however, there is just more exhortation and less vodka. Some in the military, whose leader Mr. Gorbachev has just overturned, oppose the attempt to break their grip on the economy. Many bureaucrats are known to be unhappy.

History's lessons are not all negative. Those who say the system is too rigid for reform should ponder Lenin's NEP in which the system accommodated real change without losing its character. Lenin, it should be noted, intended this as a temporary retreat. Does Mr. Gorbachev strive for more?

— THE NEW YORK TIMES.

Other Comment

Change in South Korea?

South Koreans will have the chance in December to vote indirectly for their next president, but no suspense attaches to the outcome of that balloting. Rob Tae Woo, nominated by the ruling Democratic Justice Party, can confidently expect to take office Feb. 25 as the successor to President Chun Doo Hwan. Mr. Roh's inauguration will be a milestone of sorts, marking what the regime is pleased to cite as the first peaceful change of leadership in Korea's modern history. Peaceful, though, is a relative word. As student riots over the last few days have shown, the pending transfer of power represents something less than a consensual decision.

Mr. Roh is a lifelong friend of Mr. Chun and, like him, a former general. But Mr.

Rob is regarded as the more broadly experienced, and possibly more flexible than the highly unpopular Mr. Chun.

The absence of a functioning democracy in South Korea has not stood in the way of enormous economic progress. Expanding prosperity does seem to have made many, perhaps most, South Koreans wary about activities that seem to threaten stability. This represents not so much an endorsement of the status quo as a concern about the proffered alternative to it.

Mr. Roh, like Mr. Chun, says that constitutional revision cannot come until after Seoul plays host to the 1988 Summer Olympic Games. Perhaps. But there is nothing to prevent the ruling party from moving to expand basic freedoms well before then.

— The Los Angeles Times.

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OPINION

Thatcher Walks Over a Worrisome Foe...

By George F. Will

LONDON — With a hint of insouciance, a quality not often ascribed to her, Margaret Thatcher began her quest for a third term by saying she might seek a fourth. That was rash because humans are the only creatures neurologically complicated enough to become bored, and boredom makes voters volatile. However, she has wrested consent from her country and earned the gratitude of the United States.

The British election of 1987 may have been as important to Americans as the U.S. elections of 1988 will be. Mrs. Thatcher defeated a man whose ascension to power would have begun the dissolution of NATO, Europe's denuclearization, and the rise of U.S. isolationism.

When Neil Kinnock, the Labor Party leader, was asked in 1983 whether the Soviet Union was a greater threat than the United States, he said, "There is an almost miserable equality of threat." Last month Mr. Kinnock, who favors unilateral nuclear disarmament for Britain, spoke of defending — if that is the word — Britain by "using the resources that you've got to make any [Soviet] occupation untenable."

Sharper pitchforks.

Labor's strongest passion, aside from generalized envy, is anti-Americanism. But Mr. Kinnock Americanized his campaign, organizing a "presidential" campaign around a television commercial that made a cult of his personality and informed voters that his relatives like him. Journalists who think the media serve the world were still praising his campaign style after voters, having made up their minds about the substance of socialism, handed Labor its worst result (other than its 1983 thrashing) since 1951.

The post-election conventional wisdom is that, but for unilateralism, Labor would have won. Yet the rest of its socialism was even more ruinous. Mr. Kinnock is a socialist, so it often is difficult to understand what he is saying, and it often is more important to understand what he is being careful not to say.

Labor's barely spoken wisdom is the same old stuff: high spending, paid for by being beastly to the Duke of Westminster and taxing the "very rich," meaning anyone earning more than \$40,000. Labor speaks for those who are wards of government, but even more for government as an interest group. Labor exemplifies what has been called "producer socialism," which means the administration of the state for the benefit of those who administer state services.

Labor cannot comprehend this fact: Mrs. Thatcher appeals not primarily to those with a lot, but to those with a modest amount who have much to lose from the likely consequences of Labor's program: increased taxation and inflation.

Labor's intellectual cupboard is bare, a sign of changed times. George Orwell was only slightly exaggerating when he said, two generations ago, that Britain's last rightist intellectual was T.E. Lawrence. But in Britain today, as in the United States, the direction of most ideological conversions is from left to right.

She declares her intention to drive socialism away from England's blessed plot, this other Eden, before her third term is completed. She has already broken or exiled all who stand for the traditional paternalism of the Conservative Party, whom she has regarded as obstacles to the installation of market forces and as apologists for the welfare state.

The British welfare state was the creation of a privileged class, which saw it as fulfilling the social bargain made with the rest of the nation in the two world wars. Mrs. Thatcher thinks it a bad and unsuccessful bargain to be ended.

Since 1979, Mrs. Thatcher has inspired a successful rebellion against paternalism and welfare.

Hers, she believes, is a revolution of freedom, favoring individualism,

energy and innovation. Her market measures, however, first resulted in unemployment and "deindustrialization." Two years ago it was possible to argue that however meritocratic

it depends on North Sea oil, which is running out. Still, the morale of British business and of the country's leadership has been transformed.

In addition, Mrs. Thatcher has broken the power of a union movement which had become reactionary, Luddite, and corrupt. She sold off nationalized corporations, and people bought the shares. She sold "council houses" — public housing to tenants, in defiance of a conviction peculiar to the British left, that political virtue lies in workers not owning their own homes.

Mrs. Thatcher's successes have been purchased at the cost of intensified social conflict. Her enemies, the socialists, the Alliance of the Liberal and Social Democratic parties, and in a more muted voice, the Tory "Wets," as she calls them, say that she has chiefly rewarded greed and selfishness. The attack made upon her in this election campaign was fundamentally a moral one. She was accused of being an enemy to generosity and tolerance.

She was accused of deliberately abandoning to waste and poverty

those unable to compete. A foreign journalist quotes a voter as saying: "She has the mentality of the procer in my father's village in the old days, who wouldn't give credit to the miners when they went on strike. When the strike was over the village split in two, between those who would buy in his store and the rest. Hatred followed charge on High Street. Today's England is like that village."

Neil Kinnock's campaign took leadership away from the Labor Party's radical wing and made Labor once again seem a potential party of government. This accomplishment was not rewarded. So Labor's radicals have been strengthened, and they represent a fraction of the public more deeply alienated from society and government than exists anywhere in Europe today.

The place of Labor's surviving moderates has been worsened. The option they before seemed to possess, to leave Labor and join the moderates who left earlier to start the Social Democratic Party, now seems closed. The election was a catastrophe for the Alliance. The moderates have been routed.

Mrs. Thatcher returns to 10 Downing Street in mitigated triumph. She has lost seats and leads a party with a minority of the national vote. She governs by virtue of the opposition's division. She has destroyed Tory paternalism and inflicted three defeats on Labor welfarism. She has easily, even contemptuously, prevailed over the unideological centrists, the compromisers.

But by her remorseless rejection of compromise she has brought unprecedented bitterness to all that divides the country. Of the Western nations, Britain is least at peace with itself, least reconciled to its condition. It is not a prospect that reassures.

International Herald Tribune.

Los Angeles Times Syndicate.

By William Pfaff

PARIS — Margaret Thatcher, a democrat and a radical, has conducted a far more savage and effective assault upon the inherited assumptions of British political life, and the class assumptions underlying it, than the Labor Party ever did when it was in power. The split leaves the country divided on new lines of fault.

Her re-election as prime minister reveals a poor Britain divided from a complacent one, North from South, Scotland and Wales from England. Mrs. Thatcher would say that it is also a division between old and new, backwardness and progress.

She declares her intention to drive socialism away from England's blessed plot, this other Eden, before her third term is completed. She has already broken or exiled all who stand for the traditional paternalism of the Conservative Party, whom she has regarded as obstacles to the installation of market forces and as apologists for the welfare state.

The British welfare state was the creation of a privileged class, which saw it as fulfilling the social bargain made with the rest of the nation in the two world wars. Mrs. Thatcher thinks it a bad and unsuccessful bargain to be ended.

Since 1979, Mrs. Thatcher has inspired a successful rebellion against paternalism and welfare.

Hers, she believes, is a revolution of freedom, favoring individualism, energy and innovation. Her market measures, however, first resulted in unemployment and "deindustrialization."

Two years ago it was possible to argue that however meritocratic it depends on North Sea oil, which is running out. Still, the morale of British business and of the country's leadership has been transformed.

In addition, Mrs. Thatcher has broken the power of a union movement which had become reactionary, Luddite, and corrupt. She sold off nationalized corporations, and people bought the shares. She sold "council houses" — public housing to tenants, in defiance of a conviction peculiar to the British left, that political virtue lies in workers not owning their own homes.

Mrs. Thatcher's successes have been purchased at the cost of intensified social conflict. Her enemies, the socialists, the Alliance of the Liberal and Social Democratic parties, and in a more muted voice, the Tory "Wets," as she calls them, say that she has chiefly rewarded greed and selfishness. The attack made upon her in this election campaign was fundamentally a moral one. She was accused of being an enemy to generosity and tolerance.

She was accused of deliberately abandoning to waste and poverty

those unable to compete. A foreign journalist quotes a voter as saying: "She has the mentality of the procer in my father's village in the old days, who wouldn't give credit to the miners when they went on strike. When the strike was over the village split in two, between those who would buy in his store and the rest. Hatred followed charge on High Street. Today's England is like that village."

Neil Kinnock's campaign took leadership away from the Labor Party's radical wing and made Labor once again seem a potential party of government. This accomplishment was not rewarded. So Labor's radicals have been strengthened, and they represent a fraction of the public more deeply alienated from society and government than exists anywhere in Europe today.

The place of Labor's surviving moderates has been worsened. The option they before seemed to possess, to leave Labor and join the moderates who left earlier to start the Social Democratic Party, now seems closed. The election was a catastrophe for the Alliance. The moderates have been routed.

Mrs. Thatcher returns to 10 Downing Street in mitigated triumph. She has lost seats and leads a party with a minority of the national vote. She governs by virtue of the opposition's division. She has destroyed Tory paternalism and inflicted three defeats on Labor welfarism. She has easily, even contemptuously, prevailed over the unideological centrists, the compromisers.

But by her remorseless rejection of compromise she has brought unprecedented bitterness to all that divides the country. Of the Western nations, Britain is least at peace with itself, least reconciled to its condition. It is not a prospect that reassures.

International Herald Tribune.

Los Angeles Times Syndicate.

By Hahn Been Lee

JAPAN'S excess capital is the product of hard work and savings, and a relatively low defense burden. The security umbrellas provided by the United States has allowed Japan for years to spend less than 1 percent of its gross national product on defense while the United States and many other countries spend 7 percent or more.

Japan's annual GNP totals about \$2 trillion. Six percent of that, or \$120 billion, is the additional amount Japan would have to put toward defense if it were to make an effort commensurate with its main ally. The savings that have accrued to Japan, when compounded over an extended period, represent a huge sum of excess capital.

Benefit amassed in this fashion

Aviation: Changing the Rules

Second Thoughts in U.S.

Calls Grow For a Return To Regulation

By Martha M. Hamilton

WAshington — Airline industry officials have an incantation that they use to ward off attempts to re regulate the industry:

Airline passengers have saved \$6 billion annually as a result of deregulation in 1978, according to a 1986 Brookings Institution study, and no congressional hearing, no speech goes by without reference to that report.

But increasingly, those same industry executives are confronting angry consumers and politicians who are asking whether consumers have not paid in other ways.

A rising number of complaints to the Department of Transportation about delayed flights, lost luggage, overbooking and other consumer troubles has prompted proposals to keep a lighter rein on the industry. In May, Transportation Secretary Elizabeth Hanford Dole wrote to the major passenger airlines warning of possible federal action unless the situation improved.

The department's response appeared to be, at least in part, its own attempt to head off efforts to increase airline regulation by members of Congress — who are frequent flyers themselves and no more tolerant of a lost bag than anyone else.

Although passenger complaints about service appear to be pushing U.S. policy makers to reconsider deregulation, it is not the only force at work. The wave of mergers and bankruptcies in the industry over the past several years has recreated an industry that looks quite similar in some respects to the industry that was deregulated in 1978.

That worries some lawmakers.

The airline deregulation act was expected to facilitate new entries and vigorous price competition in the industry.

"For a while it worked. Several dozen new airlines entered the market from 1978 to 1985," said Senator Howard M. Metzenbaum, an Ohio Democrat.

But he added that many of those same carriers have disappeared, and the industry has become more concentrated. In the short term, there is still price competition; in the long run, he predicted, prices will rise again.

A study by the Transportation Center at Northwestern University in Chicago found that, during the first nine months of 1986, the top 10 air carriers controlled 94 percent of the market, compared with 90 percent controlled by the top 10 carriers in 1970.

"Of the 34 instant airlines [carriers that entered the market after deregulation] 23 have failed, and all six supplemental charter services have disappeared," wrote Frank A. Spencer and Frank H. Cassell in the study. "Of 541 nonhub airports, 150 have lost all service. More than half of the airlines in business in 1978 and two-thirds of the new carriers have failed."

In 1986 and 1987, several larger airlines acquired regional carriers, expanding their reach to allow them to compete in the new land of mega-carriers. American Airlines acquired Air Cal; Delta acquired Western, and USAir Group Inc. acquired Pacific Southwest Airlines. But the wave of mergers has begun to slow because most of the logical acquisition targets have been snapped up.

The largest airline company, after the wave of consolidation, is Texas Air with its fleet of 620 airplanes, about 200 more than the next largest competitor. The low-cost airline empire built by Frank A. Lorenzo is actually two airlines — Eastern Airlines and Continental, which absorbed New York

Continued on page 12



Many 'flag-carrier' airlines may be forced into new alliances and, as often as not, forced to submerge their national identities.

For EC 'Flag Carriers,' Partnerships May Be a Necessity

By Giles Merritt

BRUSSELS — A few years from now, the landscape of the European airline industry may look so different as to be barely recognizable. Unless they adapt to it, today's "flag carrier" national airlines could well become the dinosaurs of civil aviation.

To avoid extinction, many of the national airlines will probably have had to group together into giant transnational combines. At the other end of the scale, tiny independent "feeder" airlines and specialist charter services will have seized a substantial part of the business that flag carriers today consider their natural market.

The process of concentration is already well under way in Europe. Although the sort of deregulation and air fare liberalization that will really put the pressure on national airlines to forge cross-border alliances is still to come, the writing is on the wall.

Sabena, the Belgian national airline, has just confirmed that its discussions about joining the Scandinavian Airlines System

(SAS) consortium have entered a more intense phase. In other words, it is likely that Belgium will soon join Denmark and the other Scandinavian countries in SAS.

The Belgian airline is at present looking for a formula that would enable it to share its heavy overhead and operating costs with the SAS partners while safeguarding Sabena's name and national identity. It is hard, however, to see how the two can be reconciled. But in any case the more significant thing about the talks seems to be the way that Belgium's political leaders have all grasped the point that running a major flag-carrying international airline is beyond their means.

Sabena's move toward new partnerships was signaled by its recent route-sharing pact with British Caledonian, in which the two airlines now operate a joint daily trans-Atlantic service to Atlanta. One of the major attractions of an SAS deal would be the complementary nature of Sabena's network of long-haul African routes and SAS's strength on routes to the Far East.

Civil aviation experts at the European Commission in Brussels suggest that the like-

ly Sabena-SAS tie-up will be the forerunner of more mergers between national airlines. They forecast that Europe's big three — British Airways, Air France and Lufthansa — will be able to compete internationally without encountering serious difficulties, but that most of the remaining flag-carrier airlines may be forced into new alliances and, as often as not, forced to submerge their national identities.

THE EC experts see the Sabena-SAS grouping being further swelled by the arrival of comparative small fry, such as Austrian Airlines and Portugal's TAP. That would create a new airline covering Europe from north to south and east to west and would also greatly strengthen its intercontinental routes with TAP's Latin American services and Austrian's routes to the Middle East.

Where middle-ranking European airlines would fit into the new pattern is unclear, but even major airlines, such as KLM of the Netherlands, Iberia of Spain and Alitalia of Italy are going to find it hard to compete in the 1990s, while heavy loss-makers, such as

Greece's Olympic Airways, face a very grim future.

The tougher operating conditions will stem in large part, of course, from European deregulation and the cutthroat competition that smaller carriers and newcomers will offer. But equally important will be the competitive pressure of the new breed of American "mega-carriers" which, in a number of cases, were created in the space of mergers and takeovers that occurred in the U.S.

The "big seven" U.S. airlines — American, Delta, Northwest, Orient, Pan Am, Texas, TWA and United — now represent formidable competition on intercontinental routes. Only 25 percent at most of the European airlines, business is in fact in Europe, so the need to defend that non-European revenue now represents the most compelling argument for deregulation — that it will streamline Europe's flag carriers into competitive shape.

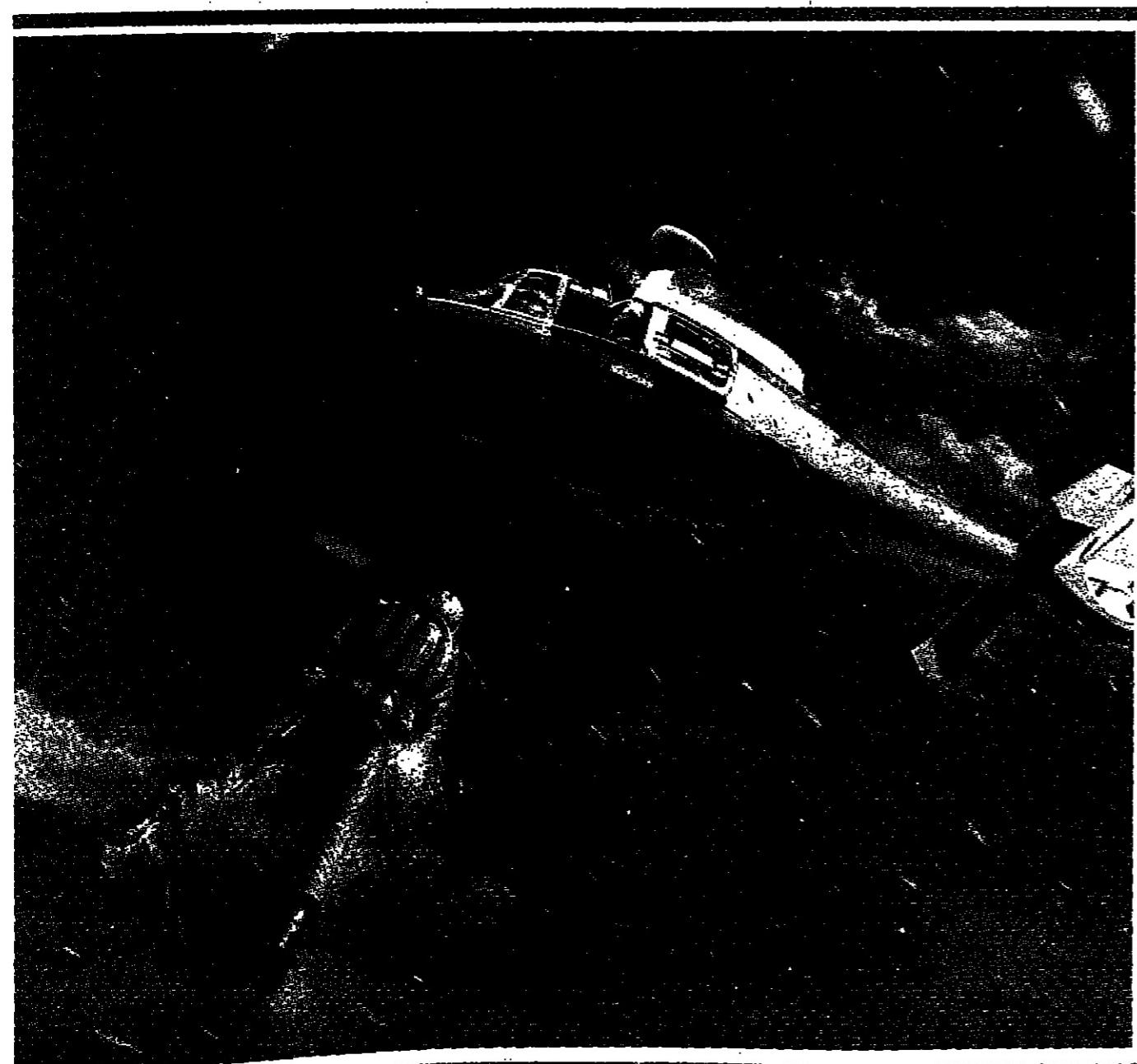
The picture should not, however, be painted too bleakly. The signs are that Europe and much of the rest of the world are on the brink of a revolution in air transportation. The EC Commission's experts suggest that within 10

years, and perhaps as little as seven, the number of passenger-miles being flown will have doubled.

The implications of a doubling of the size of the civil aviation market are exciting. Even during the first half of the 1980s, while Europe's national airlines and their governments have been fighting a successful rear-guard action against deregulation, there has been explosive growth in the small airline sector. More than 50 newcomers, ranging from major airlines' new feeder subsidiaries to tiny owner-operator ventures, have started up in Europe.

There have also been many failures among these new airlines. More than 30 carriers have failed, leaving the total number of small independent airlines at around 90. But with the EC authorities making greater efforts to encourage regional air services between minor towns and cities across Europe, the likelihood is that the small carrier sector will by the early 1990s have expanded dramatically.

GILES MERRITT is a journalist based in Brussels.



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on runways. Mr. Burnett said that controllers, in some cases, are being asked to direct more airplanes than they can handle.

"The FAA is trying to run the system up to the red line," Mr. Burnett told a Senate hearing in late May. "We don't need to play a game of chicken. We need to run the system on cold instead of hot."

"We are to use cameras, senior controllers are retiring at a rate of about 500 a year, and at the air control facilities near Washington, Boston, New York, Chicago and Los Angeles, a third to half of the senior staff is eligible for retirement this year."

"It's the experience level we're worried about," said Vic DePaula,

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New Gateway Hubs in U.S. Interior Are 'Shrinking the World'

We have made it possible for many more people to travel.

By Maria Saporta

ATLANTA — The recent emergence of new international gateways in the United States has opened up new cities and surrounding regions to people seeking business and tourism opportunities.

"We are shrinking the world," said Whit Hawkins, senior vice president of marketing for the Atlanta-based Delta Air Lines. "We have made it possible for so many more people to travel because of the opportunity to go to different destinations."

Mr. Hawkins compared the growth of international gateways to that of having a gas station on every corner. While the new airport hubs in the United States are not quite so numerous as gas stations, travel patterns have changed dramatically in the last 10 years.

It used to be that if travelers wanted to fly to the United States from abroad, they probably had to fly to the New York City or Los Angeles or San Francisco airports. Few other American cities were open to the rest of the world.

The traditional gateways were the existing coastal seaports, and the points that were closest to the international gateways," said Richard Murphy, an aviation consultant with the firm of Simat, Hellesien & Eichner Inc. in Waltham, Massachusetts. "The West Coast served the Pacific, the East Coast served Europe and Houston and New Orleans served Central and South America."

However, in the late 1960s, several interior cities and airports joined together to petition the federal government for permission to begin international service to Europe.

These interior cities already were developing into domestic aviation hubs and believed they could support international traffic.

"The trans-Atlantic case took over eight years to settle," said George Berry, commissioner of the Georgia Department of Industry and Trade and former aviation commissioner for the city of Atlanta. "It was basically an effort by the inland cities of Atlanta, Dallas and St. Louis to break the monopoly of the coastal cities and traditional ports of entry, such as New York and San Francisco, and their hold on international air service."

In 1977, the U.S. government permitted the interior gateways to have international service, which radically changed the character and the complexion of several of these cities.

In Atlanta, Delta Air Lines soon started flying to London and Frankfurt. Sabena, British Caledonian, Lufthansa and KLM soon



Swissair plane passes over an expressway on the company's first Atlanta flight.

cy. And during most of that period of fairly high growth, no new gateways opened up. Since about 1980, the average seat size has leveled off, so the increased growth has translated into increased frequency and new gateways."

"I don't think the new gateways took traffic away from the traditional gateways, but it has taken growth away," Mr. Murphy added.

Mr. Hawkins of Delta said the new gateways helped generate the growth in international air travel. "There's definitely been a stimulation of international traffic because of the interior gateways," he said. "I think people in the Southeast have felt more comfortable when they can leave from a gateway that they are familiar with."

Another trend also developed in the early 1980s — airline deregulation — which gave domestic carriers much more flexibility in choosing destinations, prices and traffic patterns.

Smaller airlines, which traditionally fed traffic into the more traditional gateways, began to create "hub-and-spoke" operations at other airports, such as Newark, New Jersey; Charlotte, North Carolina and Salt Lake City.

Now those and other new gateways have generated enough domestic traffic through their feeder networks to where they believe they can support international service.

But unlike the deregulated U.S. market, international routes are still regulated through bilateral aviation agreements between the U.S. and foreign governments. When new bilateral agreements are reached, however, new gateways are often established, such as the recent accord between the United States and Britain.

That agreement permitted Piedmont Airlines and Delta Air Lines to fly nonstop to London from their respective hubs in Charlotte and Cincinnati.

Diane Peterson, director of international air service for the Airport Operators Council International Inc. in Washington, said that several other U.S. airports also desired to have international service because they believed it would bring an economic boost to their communities.

But she added, "the regulatory and negotiating climate is not particularly good" for the rapid establishment of many of these gateways.

New aircraft, however, make it more economically feasible for carriers to serve smaller, emerging markets. U.S. airlines have also asked the federal government for permission to fly smaller planes, with a seat capacity of around 200, on routes to Europe.

In addition, new planes are more fuel efficient and are being designed to fly longer distances, permitting nonstop service half-way around the world.

All these market and equipment changes creating new interior gateways, however, are beginning to compete with the relatively young international gateways, such as Atlanta.

"It does open up a competitive situation," said Roy Cooper, vice president of economic development for the Atlanta Chamber of Commerce. "Before, we may have had it all to ourselves. Now we have a Charlotte to worry about."

Still, the Atlanta community has not opposed the establishment of new Southeastern gateways for international service. One reason is that the Hartsfield Atlanta International Airport has just been declared the busiest airport in the world, and it can afford to have some of its connecting traffic diverted to other airports.

"I don't think we are as dependent on the transfer traffic as we used to be," said John Braden, director of marketing for the Atlanta airport. "Atlanta needs its capacity more and more everyday for its own originating traffic. We are now almost to the point where we can sustain international service on our own because of the number of international companies doing business here."

Philosophically, Mr. Berry, the commissioner of Georgia's Department of Industry and Trade, supports the other Southeastern gateways.

"As far as I'm concerned, Atlanta and Georgia will never take the position that now that we've got ours, let's pull the ladder up," he said. "More power to Charlotte, Winston-Salem [North Carolina], Orlando, [Florida] in their efforts to secure international air service. I'm very satisfied that if the Southeast grows, that if the Charlestons, the Nashesvilles and the Jacksonville grow, that only strengthens Atlanta."

But the older gateways are responding to more competitive market in other ways, according to Mr. Murphy.

"The major gateways — New York and Boston — are now beginning flights to the interior European gateways," Mr. Murphy said. "They are getting service to Munich, Dublin and Manchester."

A number of European carriers are becoming frustrated with the increased U.S. competition on both their home shores and in America. Because they do not have the benefit of a U.S. feeder network in smaller cities, they cannot justify flying to Charlotte or Cincinnati.

So European carriers are developing new ways to meet U.S. competition. For example, they are beginning to consolidate their service equipment and routes — to the United States. The first test of such an arrangement was between British Caledonian and Sabena, which decided to jointly serve the Atlanta-London-Brussels route with daily 747 service last year.

European airlines also are seeking co-chairing agreements with smaller U.S. airlines whereby they can create their own feeder networks in the United States. For example, KLM is seeking to co-chair its flights with Florida Express Airline so that on the computer reservations system it will show that KLM has its own connecting flights from Atlanta to Florida.

"Interior gateways are going to develop as traffic continues to grow," Mr. Murphy said. "And the fact that aircraft size has pretty much leveled off and the range is getting longer, I think we will continue to see more demand for interior gateways."

MARIA SAPORTA is a business writer for The Atlanta Journal and The Atlanta Constitution.

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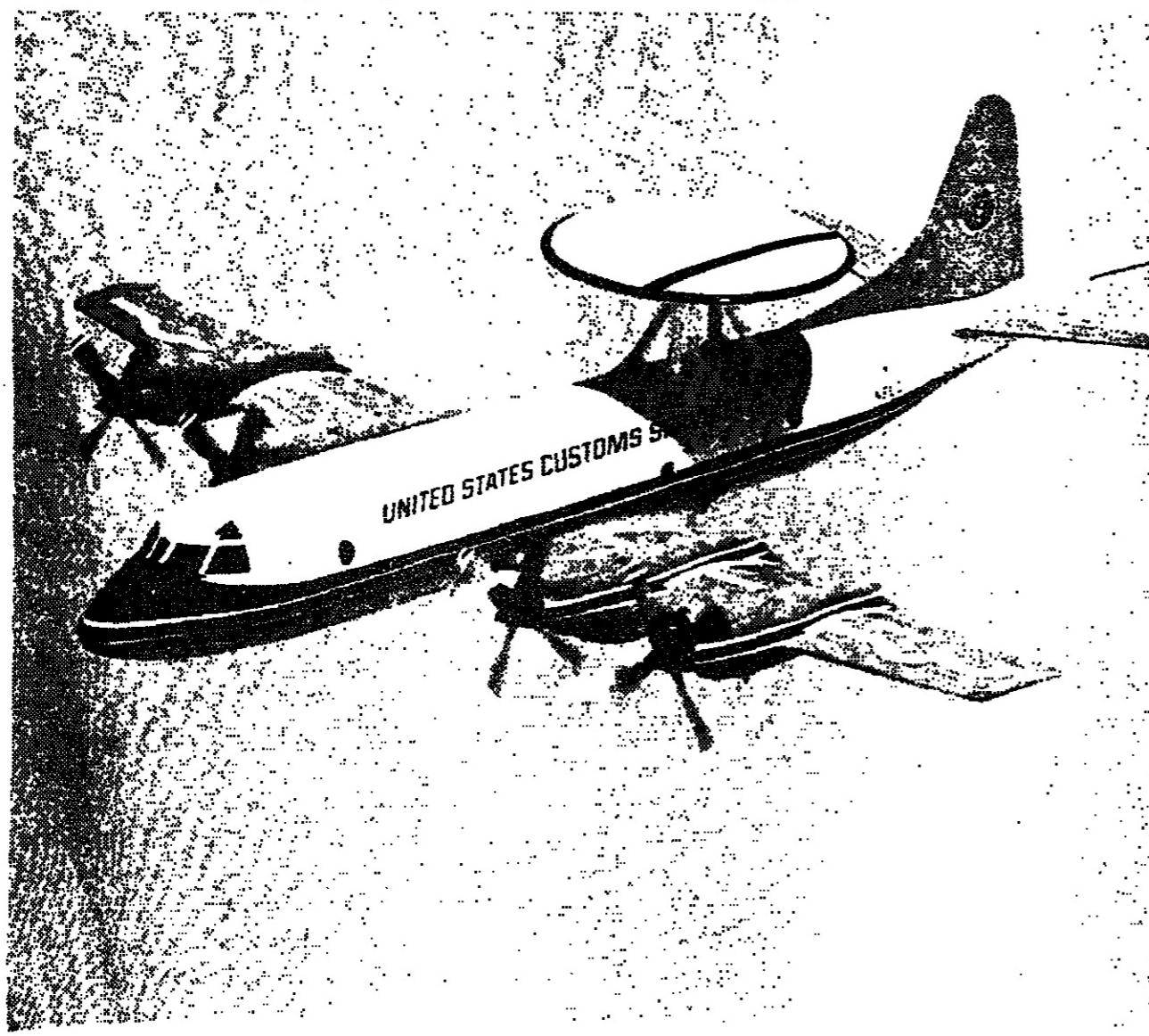
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Flying Into the Heart of London

By Peter Middleton

LONDON — On May 31, two 50-seat airliners touched down only six miles east of Tower Bridge, and less than 20 minutes by taxi from the Bank of England. They were making a trial flight into the new London City Airport, which is nearing completion on top of a derelict dock.

Once scheduled services begin from the airport in October, City workers should be able to reach Charles de Gaulle Airport in Paris faster than they can now get airbornes from London Heathrow, according to Brymon Airways, one of the two airlines licensed so far to fly from London City Airport by the U.K. Civil Aviation Authority. Brymon claims that it will take less than two hours from office desk to disembarking from the aircraft in Paris.

Brymon will compete with Eurocity Express, a new and specially created subsidiary of British Midland Airways, between London City and Paris, Amsterdam and Brussels. Eurocity Express will also fly to Rotterdam and Dusseldorf, as well as offering domestic services between London City and Manchester, Jersey and Guernsey. Brymon will feed London City from its existing English West Country hubs of Plymouth and Newquay.

Non-British airlines may serve London City, subject to approval by the Civil Aviation Authority and bilateral government agreements on routes. None is seriously interested as yet, although provision for reciprocity exists on routes already approved.

If London's City workers choose to begin their journeys from their homes, however, it will often be quicker for them to fly from Heathrow or Gatwick, rather than from the new airport.

Nevertheless, the project's instigator, builder and operator — Mowlem Construction — is confident that within five years London City airport's proximity to one of the world's major financial centers will justify its design parameters of 1.2 million passengers per year, 10 aircraft stands and 120 movements — takeoffs and landings — per day. London City will also serve the industrial enterprise zone of which it is part.

Mowlem expects between 375,000 and 500,000 passengers to pass through London City in its first year of operation. Brymon, however, which has supported the project from its inception by Mowlem in 1981, predicts a maximum first-year total of 250,000, limited by availability of suitable aircraft.

Whatever the number of passengers, it will be minuscule compared with the capacity of major European international airports, allowing London City to guarantee fast turnarounds for time-conscious businessmen. Check-in

times are likely to be only 15 minutes, and conference facilities and stock exchange data displays will be provided for businessmen wishing to use the airport as a meeting place.

The £20 million (\$32 million) project was known initially as London Stobart, denoting short takeoff and landing, because its 2,500-foot (760-meter) runway is barely a quarter the length of those at major conventional airports.

London City will be the first of its type in the world to offer international services in competition with existing airports.

Other airports have been built in the hearts

of cities — the best-known are Kai Tak in Hong Kong and Tempelhof in Berlin. However, the closest parallel to London City is Toronto's downtown airport, from which short takeoff and landing de Havilland Canada Dash-7 airliners fly domestic regional services. London City is based on the use of the same type of aircraft, which is powered by four turboprop engines.

The Dash-7, whose manufacturer is now owned by Boeing, can operate with ease from the London City runway, which has been laid directly on top of an old wharf. The aircraft has been in service for nearly a decade and has been used in difficult geographic and weather conditions from Norway to Yemen. It has also performed reliably with Brymon on British regional routes.

Brymon stresses the training and experience necessary to operate the aircraft off short runways. The instrument landing system at London City will be set for a 7 degree approach slope rather than the 3 degree one used at conventional airports.

The Dash-7 is inherently quiet, climbs rapidly and descends steeply, so it leaves a small noise "footprint" on the ground. Besides being environmentally acceptable to the surrounding community, the aircraft also offers pressurized comfort and a reasonably quiet cabin for its passengers.

Europeans accustomed to an almost exclusive diet of jets between major cities will notice the difference, but none will be airborne in the four-abreast cabin for more than two hours. The Dash-7 cruises at 250 miles (400 kilometers) per hour and its flights will be limited to

400 miles, after which jet speed overcomes time saved on the ground.

Even this modest 400-mile radius gives London City access to a population of 150 million in the most highly industrialized and prosperous areas of Europe, as far as Dublin, Edinburgh, Bremen, Frankfurt and Strasbourg, although no carriers have yet applied to serve any of these destinations.

Much of the potential German business market, however, lies beyond 300 miles from London City, which Brymon considers marginal on time savings. This includes Düsseldorf, to which Eurocity Express already has traffic rights.

Eurocity Express wants to acquire British Aerospace-146 jets for London City services, which would greatly extend the market. The runway could be extended to take the 80-seat 146, which is the quietest and most agile jet aircraft on the market.

Before it could fly from London City, however, a proposed bridge across the river Thames to the east of the airport would have to be moved from the flight path. Not surprisingly, British Aerospace is supporting Eurocity's bid to have the bridge sited elsewhere. Air traffic control arrangements designed around the Dash-7 would also need revision.

Brymon expects two-thirds of London City passengers to be flying on business, and 60 percent of international traffic to originate in Continental Europe once the airport becomes well known.

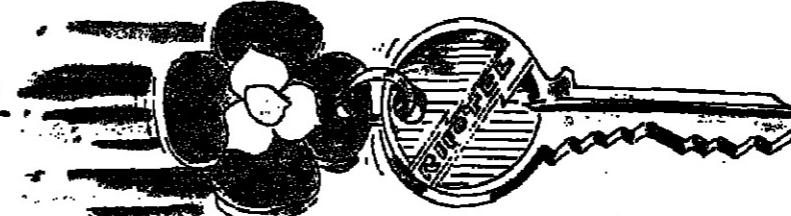
Brymon also predicts "split" traffic — British passengers flying to the Continent from London's Heathrow or Gatwick airports but returning to the office via London City. Some American tourists visiting London are also expected to use London City as a convenient gateway for day trips to the Continent.

The fins of Eurocity Express Dash-7 carry a pinstripe-suit motif to accentuate the carrier's dedication to business travel, and both of the airlines authorized to fly from London City are reducing seating on their aircraft from the standard 50 to about 44 to facilitate installation of hot-meal service. Business-class fares will be charged. Corporate and private aircraft will be banned from the airport.

The Dash-7 is likely to be the only type of aircraft flying from London City for several years. Eurocity Express acquired its first two aircraft recently and expects two more next March, with a fifth coming later. Brymon, the established British Dash-7 operator, expects to use three or four on London City services, out of a planned fleet of six.

PETER MIDDLETON is associate editor of Flight International magazine.

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Airbus and Boeing Raise the Stakes in Marketing Battle

Many analysts do not believe that the market can support three aircraft manufacturers competing with similar products.

By James D. Baumgartner

WASHINGTON — Two significant events took place last month in the escalating battle between Airbus and McDonnell Douglas to lure airline customers into buying their planes.

First, Britain and France raised the ante for government aid to Airbus by agreeing that loans to British Aerospace and Aérospatiale Airbus partners can be repaid by sales of A-330 and A-340 aircraft. Second, Boeing showed that it is willing to lend money to a favored customer to purchase Boeing aircraft.

These actions by a government-funded consortium and a cash-rich Boeing must have proved unsettling to McDonnell Douglas.

The move by the governments for the A-330/A-340 project followed protests earlier this year by the United States that the financing was being made at a risk to taxpayers. The A-340 is not due on the market until at least 1992, two years behind its competing MD-11 of McDonnell Douglas, the Boeing 747-400 and long-range, lengthened versions of Boeing's 767 that are already flying.

Boeing's loan to United Airlines of \$700 million in convertible notes raised expressions of concern from industry analysts in the United States. The transaction could give Boeing as much as a 16.9 percent stake in United if it exercised an option to convert the notes into stock.

Alan Bensouli, an analyst for Drexel Burnham Lambert, said Boeing should "not be using cash to finance customers," especially to the airline industry, which is "extremely cyclical."

That airplane companies are willing to go to such lengths to sell aircraft during a time when the airlines are on the "up" side of the cycle caused Mr. Bensouli to question to what lengths they would go when the carriers hit the "downside."

He said, "This is going to be hurtful to everybody involved." It shows, he added, that "this is an extremely competitive market even at a time that it should be a seller's market."

Many analysts do not believe that the market can support three aircraft manufacturers competing with similar products.

Airbus could be a victim of its own success with the A-320, with orders and options for more than 400 of the 150-seaters. It got the jump on both Boeing and McDonnell Douglas in offering the market a new-generation transport in this category. This will not be the case with the A-330/A-340 program, which not only will lag behind the McDonnell Douglas MD-11 but also the Boeing 747-400 and the long-range 767.

However, Airbus believes that to compete successfully over the long term, it needs a family of aircraft to offer customers and to convince them that it is in business to stay. Also, the A-340 will be a more technically advanced aircraft than its competitors when it does hit the market. That means more in the past, when aviation fuel prices were high than it does now. While a newer technology aircraft will use less fuel, its development costs mean, or should mean, that it will cost customers more than a derivative aircraft.

The sales tactics of Airbus were the subject of talks earlier this year between the U.S. and European governments involved in the consortium. Aérospatiale of France and MBB of West Germany each hold 38 percent shares in Airbus, while British Aerospace has 20 percent. To U.S. charges that the companies have yet to refund any launch aid invested by European governments, they reply that the United States spends five times as much supporting various programs.

In a statement in January, Aérospatiale said that "some 70 percent of total sales for U.S. aerospace firms comes from government credits, as opposed to just 35 percent for their European counterparts." It said the "main source of funds that enable the U.S. aeronautical industry to maintain a dominant position in world markets is none other than the American taxpayer."

Aérospatiale said that it is "nothing short of indecent to claim that Europeans are



Aérospatiale's Airbus A-320 on the tarmac at Le Bourget.

The Commercial Aircraft Market

Company	Delivered	Orders	Backlog
Airbus	29	170	286
Boeing	238	335	662
McDonnell Douglas	91	164	261

cheating Americans out of their rightful jobs with each Airbus sale. Statements such as this can only be interpreted as reflecting American manufacturers' intent to move from a clearly dominant market share to a monopoly."

U.S. officials, in turn, say statements such as this are part of a smoke screen put up in Europe to hide Airbus subsidy practices.

"When we talk about government support for Airbus, we are very specific, and the Europeans want to talk about the entire aerospace industry," said an official from the U.S. Trade Representative's office. "The U.S. government funds flowing to the U.S. aerospace industry for the purchase of goods and services directed toward government are not a subsidy for civil aircraft programs. The Europeans, too, produce military goods which they sell to their own and foreign governments."

With such attitudes on both sides of the dispute, it is little wonder that the talks fell through.

The impetus to the talks follow what a McDonnell Douglas spokesman called a "major thrust at customers we announced on Dec. 30 for the MD-11." This thrust was described as an "unfair trade tactic." Airbus denied trying to sell the A-340 to McDonnell Douglas customers below cost and said it "will continue to market it to any airline, whether or not the airline has publicly committed to the MD-11."

JAMES D. BAUMGARTNER is a senior editor of Aviation Daily.

Computerized Airliners Will Have Seatback TV

By Graham Warwick

LONDON — Within a few years, the airline passenger crossing the Atlantic will be able to watch the inflight movie not badly aligned and out of focus on a screen several seats ahead, but on a miniature television mounted on the back of the seat in front of him.

If he is flying first or business class, the passenger might find, mounted on the same seatback, a telephone with which he can call, via satellite, to ensure that his return flight is booked with the same well-equipped airline.

Seatback television uses the same liquid-crystal display (LCD) technology as digital watches, and for the same reasons. LCDs are slim, lightweight and consume little power. They require considerable development, however, before they can replace the cathode ray tube (CRT) displays used in the cockpits of modern airliners.

For that is the aim, to produce bright, sharp, full-color, flat-screen displays to replace bulky, power-hungry CRTs on the airline's flightdeck. The pilot might not notice the difference, but the aircraft designer and operator will benefit from the LCD's lighter weight and longer life.

Passenger telephones are simply an extension of established satellite communications technology, but require the development of ultra-sensitive antennas that provide good reception without incurring massive amounts of extra aerodynamic drag.

Already some airlines are planning to install business centers on their aircraft, linked by satellite to the terrestrial communications network.

Hotel rooms, car rentals and theater tickets could all be booked from mid-Atlantic. Stocks and shares could be bought and sold from the comfort of an airline seat.

Satellite communication, coupled with satellite navigation, will enable the crew to determine aircraft position far more accurately than possible today, and to report this to the ground. Once all airliners are equipped to communicate by satellite, a global air traffic management system becomes a possibility — and with it an end to the delays that plague the present system.

Watching seatback television or talking on the seatback telephone, tomorrow's airline passenger should hopefully be unconcerned for his safety. He might just feel a little concerned if he knew that it was a computer, not the pilot, flying the aircraft, but he would have no reason to feel less safe.

Fly-by-wire is a term more usually applied to fighters. It means that the traditional mechanical links between the pilot's controls and aircraft control surfaces have been replaced by electrical signals traveling along wires. A computer has been placed between the pilot and his aircraft. The pilot is still in command, but it is the computer that executes his instructions.

This has two major advantages. If the aircraft makes some movement the pilot has not commanded, then the computer can sense and countermand the motion far faster than the human pilot. Conversely, if the pilot makes some demand



which the computer knows is unsafe, it can simply ignore his instructions.

If the aircraft is already near the stall, for example, the computer can prevent the pilot from inadvertently stalling the plane. This automatic limiting is a vital advantage in emergencies such as wind shear, where to escape the move down-draft the pilot must fly the aircraft to its limits and not beyond them.

The traditional mechanical linkages are not dispensed with lightly, however. When Airbus Industrie's fly-by-wire A-320 makes its public debut at the Paris Air Show, it will have no fewer than five flight-control computers, any one of which is capable of flying the aircraft.

This backup system is essential if the aircraft is to survive the failure of two or more computers, however improbable such an event might be. To prevent any common design flaw from causing all the computers to fail, two are designed by one company, three by another.

The next step is to make the computers tolerant of equipment failures and software faults, and that is Boeing's aim for its 777, unveiled at Paris as a competitor to the successful A-320. It will be 1993, however, before the 777 makes its flying debut at Paris.

On the ground, as well as in the air, there is an impending revolution. In particular, new radars that establish an information flow between aircraft and ground, and new ultra-accurate landing systems are to be introduced in the 1990s.

Anti-collision systems are being tested in the United States, where the dense air traffic and unique mix of heavy airliners and light private planes has in the past caused serious accidents.

The aim of all these systems is to ease congestion on the airways, freeing airlines to use fuel-saving direct routes. Unless the air traffic control system is upgraded to cope with the advances being made in the air, then airlines will see no benefits from the technology and the passenger will be faced with greater and greater delays.

GRAHAM WARWICK is technical editor on the weekly aerospace magazine Flight International.



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UNITED TECHNOLOGIES

than they can manage. The FAA is trying to run the system up to the red line," Mr. Burnett told a Senate hearing in late May. "We don't need to play a game of chicken. We need to run the system on cold instead of hot.

Boston, New York, Chicago and Los Angeles, a third to half of the senior staff is eligible for retirement this year. "It's the experience level we're worried about," said Vic DePaula,

year, and this time, win a traffic-controlled Congress and a perception — no matter how exaggerated — that airline travel is disintegrating into chaos, the proposal will figure as a major bar-

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sent into space in the past 20 years and you ... cooperative than us.

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U.S. Experience Provides Some Lessons for Europe

By Umberto Nordio

ROME—Deregulation, to all of us in the airline business, means airline deregulation, and we tend to regard it as though it were something peculiar to our own trade. In fact, air transport deregulation, as started in 1978 and 1979 in the United States, is just one instance in a wider, far-reaching worldwide trend moving away from command-and-control-type regulations to place instead reliance on a set of norms that focus on performance results, leaving industry free to find the most efficient way of achieving them.

An instant, global communication system and the increasing integration of world financial markets have enhanced international interdependence and spurred a growing awareness of the fact that the industrial nations of the world are moving toward a one-market economy. Even the Soviet Union seems, of late, to have caught on to this concept and its implications, for in today's world scenario, military might can generate, at best, stalemates. Under the umbrella of such stalemates, victories are generated by economic strength, which can only be achieved through efficiency.

Air transport, by its very nature, always was an industry of worldwide breadth. In this trend toward a global, more competitive economy, airlines are quite naturally positioned in the forefront. When looking ahead, the American experience with airline deregulation provides us with a very significant lesson.

At times, in the day-to-day interaction between business and the media, a felicitous slogan captures the imagination of both reporters and readers. It becomes a cliché, and the commonplace quickly turns into popular wisdom. And, finally, it acquired professional status through the elaboration of some pundits who translates it into para-academic doctrine, just before facts consign it to oblivion.

Such was the fate of a catching industrial recipe bandied about in the early 1970s: "Small Is Beautiful." Now, the first lesson to be drawn from American airline deregulation is that small may well be beautiful, but big is powerful, and bigness is what it takes for an airline to survive in a deregulated environment.

Nowhere in the world — except in the Soviet Union, where Aeroflot carries 125 million passengers a year — do we find airlines whose size approaches that of the U.S. "mega-carriers." Through their size, the U.S. carriers can now offer the customer some of the cheapest per-mile seats in the world.

Their size thus forces smaller carriers in the United States and abroad, to a momentous strategic choice: Should smaller carriers try to stay in the big league, competing with the giants in the global market, or should they accept downgrading and try to retain a safe niche in a local market?

The first option requires smaller airlines to embark on the road of associations, mergers or acquisitions, most likely reaching beyond the boundaries of their own countries. Just to mention one hurdle on this road, it must be remembered that existing legislation in most industrial countries, including the United States, sets tight limitations upon foreign shareholding in national companies engaged in air transportation of passengers and cargo.

The second option may involve painful, self-mutilating decisions, as local market niches in many cases may not provide enough room to accommodate the existing size of the smaller airline involved. And even when local

niches identify with the domestic market, they may not in the long run provide a safe haven. I, for one, believe that existing cabotage restrictions are bound to fall as the deregulatory process takes hold.

When trying to translate the American experience into a blueprint for European deregulation, it should be attentively weighed against the background of the existing European environment. Europe is not one but 21 countries, each with its own laws, norms, institutions, state agencies, procedures, traditions, habits, currency and national pride.

Most European countries have a history of pervasive state control or direct involvement in commercial and industrial enterprise, to an extent and through mechanisms that never existed on the American scene. Indeed, almost all European airlines are partly or totally owned by their respective governments. The stark, Darwinian process through which the U.S. mega-carriers emerged as survivors in the deregulated U.S. environment would, since its inception, meet with several obstacles in the European environment of today.

In Europe, extinction or mutation of a national airline would elicit strong protests from all the vested interests that in time have grown around it. Some political party might become as sensitive to loss of jobs, displacement of industries, labor unrest as much as it had been to public thirst for cheap air fares. A suggestion might then follow again to rely on the old panacea of subsidizing the ailing airline so as to satisfy both vested interests and customers' expectations.

The Darwinian process would thus be thwarted. All existing national airlines would remain alive, but none of them would be an economic match for the U.S. mega-carriers. Ultimately, these would dominate the European market, as the various European governments would become fed up with throwing good money after bad to keep their carriers playing in a league where they would not belong.

The European airlines of today are weak because they are too many, too small, too diverging in their incompatible strategies. But they also command an element of potentially tremendous strength. They cater to a home market of 425 million people, 70 percent larger than the U.S. market.

In the United States, two Americans out of three are customers of the airline business. In Europe, the ratio is two out of 30. The traffic growth potential in Europe, thus overwhelmingly exceeds that of the United States. The European airlines are sitting on a gold mine.

Whether this mine shall be exploited by European or non-European enterprises essentially depends on the European governments' foresight, adroitness and timeliness in handling the issue of European deregulation.

European deregulation should be guided in such a way as to avoid the pitfalls the Darwinian process might encounter in a European environment that was not prepared to absorb it or to accept it.

The concentration of productive resources into larger multinational companies as an instrument for achieving economies of scale and lowering costs should be actively assisted by the European governments through changes of laws, regulations, procedures, habits and mental attitudes. The road should be opened and paved for all market forces to play their role in shaping up a new European air transport supply system by a smaller number of competitive mega-carriers as well as a larger number of competitive European local carriers.

UMBERTO NORDIO is chairman of Alitalia.

A Sampling of European Air Fares

Prices are for round-trip tickets and are for economy or special fares, not for business-class or first-class travel.		
Carrier	Fare	Comment
PARIS-LONDON		
Air France	\$ 302	Economy. Unrestricted
Air France	156	Special. Trip must include Saturday night. Can't change date.
Nouvelles Frontières	108	Charter
LONDON-AMSTERDAM		
British Caledonian	265	Economy. Unrestricted
British Caledonian	117	Special. Trip must include Saturday night. Can't change date
Virgin Atlantic	117	Economy. Unrestricted. Airport is Maastricht near Amsterdam.
LONDON-DUBLIN		
British Airways	312	Economy. Unrestricted
British Airways	149	Special. Trip must include Saturday night. Can't change date
Ryanair	141	Economy. Unrestricted
PARIS-ATHENS		
Air France	1,190	Economy. Unrestricted
Air France	432	Special. Trip must include Saturday night. Can't change date.
Nouvelles Frontières	237	Charter flight
PARIS-Toulouse		
Air Inter	241	Economy. Unrestricted
Air Inter	113	Special. Must be under 25 or over 65 or traveling with family on certain dates.
Nouvelles Frontières	83	Special. Advance purchase required. Penalty if cancellation. Only four flights a week.

Calls Increase For Regulation

Continued from page 9

Air, People Express and parts of Frontier Airlines. But two airlines increasingly work in tandem.

In January 1987, the two airlines announced new discount pricing, a move rapidly followed by the other major airlines. Later, when American Airlines and United Airlines made tentative moves to increase prices, Continental shot them down by refusing to follow.

At the same time that Texas Air was seizing the mantle of low-cost leader, it was also drawing an increasing number of consumer complaints along with other airlines.

In April, the Department of Transportation received 2,103 consumer complaints about airline service, up from 1,050 in the same month a year before. The largest number of complaints were about Continental, which also had the highest rate of complaints per 10,000 passengers.

Continental has questioned the validity of the survey, because it was based on passengers who take the time to write about poor service rather than being based on random survey techniques. But, at the same time, the airline has conceded that the difficulties of combining three airlines resulted in service problems.

Continental can dominate pricing because of a low-cost structure that allows the airline to fly profitably at fares that cost the other airlines money. Its key advantage is low labor costs, resulting from a largely nonunion work force.

Continental's labor-cost advantage has put considerable pressure on other airlines to reduce their labor costs.

"There's one massive difference between the costs of different airlines in 1987," said Robert L. Crandall, American Airlines chairman and president. He noted that American's labor cost per available seat mile is 2.6 cents, while Continental's is 1.4 cents. "Multiplied by the number of available seat miles we provide each year, that amounts to a \$600 million labor-cost difference."

The Department of Transportation has asserted that competition under deregulation remains healthy, pointing to continuing price competition. New carriers can still spring up to challenge established carriers if fares get too high, according to deregulation's advocates.

In addition to competing with fares, frequent flyer programs and, increasingly, claims about the quality of service, airlines in today's deregulated environment are competing through a system of hub-and-spoke operations.

A pattern has emerged in which airlines dominate passenger services at individual airports that have been transformed into hubs, where many flights converge.

The idea behind a hub is simple: to maximize the airline's traffic. An airline might not be able to justify more than one flight a day from city A to city B. It might, however, be able to justify eight flights a day from city A to its hub, where passengers could get on flights to 30 different ultimate destinations, including city B.

Many major airports serve as the hub for more than one carrier. For instance, United and Continental both use Dulles International Airport, which serves the metropolitan Washington, D.C., area, as a hub. However, mergers have virtually eliminated competition in a hub in some cases. For instance, Northwest Airlines, after its merger with Republic Airlines, controlled 79.1 percent of the market at Minneapolis-St. Paul.

The hub-and-spoke system and a huge increase in the number of airline passengers that has resulted from deregulation have put increasing stress on U.S. airports. In the first nine months of 1986, U.S. passenger airlines flew 278.3 billion revenue-passenger miles, more than twice the number for all of 1970.

Airlines have responded by putting increasing amounts of capital into airport additions and redesign.

MARTHA M. HAMILTON is a Washington Post reporter, who covers transportation for the Business section.

Effects of EC Deregulation On Fares Remains to Be Seen

Continued from page 9

ing competition in air transport. It particularly wants a new transparency in the way the airlines set fare prices.

The package would eliminate secret fare-fixing between the big flag carriers, which has in effect excluded small, new airlines from competing on major routes. It would also improve the access of these new airlines to routes, so that instead of being largely restricted to regional routes between provincial airports, they would be able to compete on feeder routes between regional and hub airports.

It also lays down new capacity sharing limits to prevent the major airlines from operating cartel-style "open pools" in which they split seats and revenue 50-50 on important routes, such as London-Paris.

A three-year trial period has been initiated under which airlines can only split capacity 45-55 for the first two years, and only 40-60 for the third year. At the same time, revenue-sharing pools are being curtailed so that the amounts that can be transferred may not exceed 1 percent of an airline's sales turnover on that route.

The idea is that the 1 percent ceiling is just enough to compensate an airline for losing a certain number of passengers and revenue to their pool partner but not enough to constitute a cartel. In any case, EC officials point out that 50-50 "open pools" are in fact comparatively rare, and that the majority of "limited pools" in existence transfer less revenue than 1 percent of route turnover

The national airlines will, meanwhile, be given block exemptions from the new competition rules to enable them to agree on timetables and operate collective check-in and baggage handling facilities.

There remains, however, one vital reform that will decide the real scope of airline deregulation in Europe. It revolves around the so-called fifth freedom that would allow non-national carriers to compete on an intra-European route. In other words, this would permit an enterprise independent airline — say one of the new British, French, Dutch or Irish carriers — to base in on protected routes like Frankfurt-Rome or Brussels-Copenhagen and challenge the national airline pool.

Once that right is won, the EC Commission experts say, then air fares around Europe will plunge. Until then, they predict that progress on deregulation will be slow but sure.

It was precisely the question of the fifth freedom that deadlocked last week's EC transport ministers' negotiations in Luxembourg. Greece, Spain, Italy and Denmark were reportedly opposed to reforms that would permit foreign airlines to challenge their carriers for business on domestic routes.

National pride and sensitivity in Europe make airline liberalization politically difficult. Yet the degree of deregulation under negotiation is modest by U.S. standards.

"I would say our package will achieve about 40 percent of the effect of the American deregulation," commented a senior Brussels official.

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In U.S., Travelers Decry Flight Delays, Overbookings, Poor Service

By Martha M. Hamilton

WASHINGTON — Glamour. Excitement. Convenience. Those are some of the words that air travel conjured up in the 1960s.

But mention air travel today, and the words most likely to come to mind are unprintable.

For those whose work requires them to spend a lot of time on airplanes, frequent-flier bonuses have become a form of reparations. One member of Congress recently inaugurated what he calls the "frequent losers" club for victims of bad air service.

Airline passenger complaints to the Department of Transportation in May were nearly three times what they were a year earlier. The department, noting that deterioration has proposed rule-making that would require air carriers to provide data about on-time performance, baggage handling, telephone reservations, misconnections, denied boarding and cabin amenities.

Even before the new complaint statistics came, Transportation Secretary Elizabeth Hanford Dole warned the airlines to clean up their acts or face possible enforcement action.

Air travel horror stories are easy to come by. All you need to do is say "airline" in a crowded room.

There is the New York bond trader who spent a night asleep on a baggage carousel at Chicago's O'Hare Airport after a series of delays resulted in his flight arriving after all connecting flights had departed.

There is the former U.S. senator, James G. Abourezk, who is suing New York Air — which is now part of Continental Airlines — for false imprisonment for refusing to let him leave an aircraft on the runway at Washington National Airport after hours of delay.

And there are countless passengers who have found their flights delayed by equipment problems,



Sophie Flory

Mention air travel today, and the words most likely to come to mind are unprintable.

air traffic control or even the failure of the airline to produce a crew for the planes.

Peggy Watts Cup, a product manager with Bell Atlantic's marketing department, traveled to Newark in March. At the end of the day, she returned to the airport, got a boarding pass for the 4 P.M. Continental Airlines flight to Washington and went to the

lounge area. The area already was full of passengers waiting for a delayed 3:30 flight to Boston, and she and others waited with increasing impatience as 4 P.M. came and went without announcement or any information about the prospects for departure.

At 4:30, the Boston-bound passengers were told to go to another gate, she said. Shortly afterward,

the plane arrived. But instead of loading the passengers who had been waiting for the 4 P.M. flight, the airline posted the 5 P.M. flight. "All the 4 o'clock people went crazy," she said.

Ultimately, a Continental manager persuaded the New Jersey Nets basketball team, which was holding tickets on the 4 P.M. flight, to give up their seats and take a later flight, she said. The remaining 4 o'clock people were then boarded with the 5 o'clock passengers, "but we got all the middle seats and the smoking section," she said. "As far as we could see, there was never a plane there" for the scheduled 4 P.M. departure, she added.

In April and May, Continental led the major U.S. airlines in the number of consumer complaints filed and in the number of complaints per 100,000 passengers. Last month, Continental, which is part of Texas Air Corp., registered 21.39 complaints for every 100,000 passengers.

Next on the list was Eastern Air Lines, also a Texas Air subsidiary, which had 10.11 complaints per 100,000 passengers. Together the two airlines accounted for about half of the complaints filed that month.

Continental has said that problems resulted when Continental absorbed New York Air and People Express in February and that performance is improving.

The mergers that have characterized the airline industry in recent years are certainly partly to blame for the service problems. As airlines have struggled to combine work forces and facilities, consumers often have suffered the consequences.

Increased traffic also has contributed to heavy strains on equipment, staff and airports. Lower fares have attracted passengers who never could afford to fly before and helped changed the nature of the industry.

Flight problems, which include delays and overbookings, continue to be the biggest source of com-

plaints. According to the Federal Aviation Administration, during 1986 an average of 1,144 flights a day were significantly delayed. FAA figures, which count only arrivals and departures delayed by more than 15 minutes after a pilot's request for clearance, seriously underestimate the problem, according to airline executives.

AIRLINES are also finding other ways to anger passengers, according to the Department of Transportation. Recurrent complaints include allegations that the

airlines are painfully slow to pay refunds and baggage claims or that they don't always play fair with passengers who give up their seats on oversold flights.

In addition, "some carriers appear to be dealing inadequately with nonsmoking passengers who check in after the designated no-smoking section is full," the department noted.

The Transportation Department also urged airlines to provide more information about fare policies and suggested that airlines may be boarding flights and pushing back from the gate knowing

that the aircraft cannot take off.

"Sitting on the aircraft is far less comfortable for passengers than waiting in the terminal. It also prevents passengers from investigating potential travel alternatives," the department noted.

Several members of Congress have proposed cracking down on airlines for still another source of complaints — what they say are misleading ads promoting deep discount fares that are so limited in number that they are virtually unobtainable.

Air travel is no longer an en-

Crisis Grows Among Controllers

We need to run the system on cold instead of hot.

By Laura Parker

OKLAHOMA CITY — The Air Traffic Control Academy, where the country's air traffic controllers are trained, occupies a corner of a sprawling complex on the Oklahoma range, far from the din of Washington's congressional hearing rooms.

Since 1981, when 11,400 of the country's air traffic controllers were fired by President Ronald Reagan for striking illegally, the Federal Aviation Administration has been screening about 3,000 new controllers at the academy every year.

The academy is only the first hurdle in an education that takes three years to complete. This spring's "graduates" won't be fully trained until 1990. The trouble is, they are needed today.

The air traffic control system, born in 1936, is still struggling to recover from the strike.

The slowdown in 1981 could not have come at a worse time. The airlines, newly deregulated three years earlier, were just beginning to expand. Now, six years after the strike, there are fewer controllers with less experience handling more traffic. Last year, controllers handled 64 million flights, a million more than in 1980, the year before the strike.

"There is a tendency for the FAA to want people to think they have rebuilt the system," said Jim Burnett, chairman of the National Transportation Safety Board. "It is not rebuilt yet."

Now with flight delays up 25 percent over 1985, and controllers still working overtime, the signs of stress are in full bloom.

Last month the National Transportation Safety Board — an independent federal agency that acts as a safety watchdog over the transportation industry — warned that the air traffic control system was being stretched too thin. The five-member board said that the safety is compromised to such a degree that the FAA should reduce the number of commercial flights in overcrowded airports during the peak summer travel season.

As evidence, the board cited a rise in errors made by controllers and the number of reports of near-collisions, both on the ground and on runways. Mr. Burnett said that controllers, in some cases, are being asked to direct more airplanes than they can handle.

"The FAA is trying to run the system up to the red line," Mr. Burnett told a Senate hearing in late May. "We don't need to play a game of chicken. We need to run the system on cold instead of hot."



Students at the air traffic school in Oklahoma City learn spatial reasoning.

We need to build in a margin of safety."

The FAA rejected the safety board's recommendations, and with them, the notion that the safety of air travel is somehow eroding.

The FAA chief, Donald D. Engen, contends that airline travel today is safer than at any time in the history of aviation. The FAA further argues that it already limits the number of flights taking off and landing at crowded airports — a practice that accounts for much of the flight delays.

"We will not allow the situation to become critical," said Mr. Engen.

Against that backdrop, the debate between Congress and the FAA over the number of controllers needed rages on. Lately, it has become so convoluted that it is difficult to determine which set of statistics most resembles the reality in the field.

TRANSPORTATION Secretary Elizabeth Hanford Dole says the ever-increasing number of evidence that the rebuilding of the system is "practically complete."

But Representative Norman Y. Mineta, the California Democrat who chairs the House Public Works aviation subcommittee, complains that the number of fully-trained controllers has actually gone down because retirements are out-pacing the training of new recruits. And he says the FAA is inflating its numbers by including the clerks in its count.

In 1981, at the time of the strike, there were 16,500 air traffic controllers around the country. Today, there are about 15,100, including about 2,474 trainees and 1,460 air traffic clerks, who do clerical work and do not control airplanes.

To add to the dilemma, senior controllers are retiring at a rate of about 500 a year, and at the air control facilities near Washington, Boston, New York, Chicago and Los Angeles, a third to half of the senior staff is eligible for retirement this year.

"It's the experience level we're worried about," said Vic DePaula,

a supervisor at the Washington Air Traffic Route Control Center.

He acknowledges that controller errors are usually made by experienced controllers, and that each radar scope is manned, and says the safety board is trying to portray a larger picture — one of a system that is overstuffed because certain areas around crowded airports become oversaturated with more airplanes than an individual controller can handle.

Because training takes so long, there has been a move to rehire the fired controllers, on the theory that they can be more quickly retrained. Legislation to rehire the controllers was introduced last year but failed.

Not only is the administration opposed, but the FAA argues that such a move would only exacerbate morale problems among the controllers who feel they made fundamental choices when they walked across the picket lines and went back to work in 1981. Controllers themselves hold mixed views. In a survey a year ago, a majority said they didn't want the fired controllers back.

Mr. Burnett opposed rehiring the controllers because he says the FAA may be tempted to cut short the retraining.

The drive has begun again this year, and this time, with a Democratic-controlled Congress and a perception — no matter how exaggerated — that airline travel is disintegrating into chaos, the proposal will figure as a major issue.

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At Matra Espace, our hearts swell with pride when Ariane carries aloft our vehicle equipment bay, responsible for command

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We are determined to be cost competitive in the commercial market so that you can be too. We are investing in new facilities and long-lead items to meet your needs. We are the first with authority to use government facilities to build and launch our vehicles.

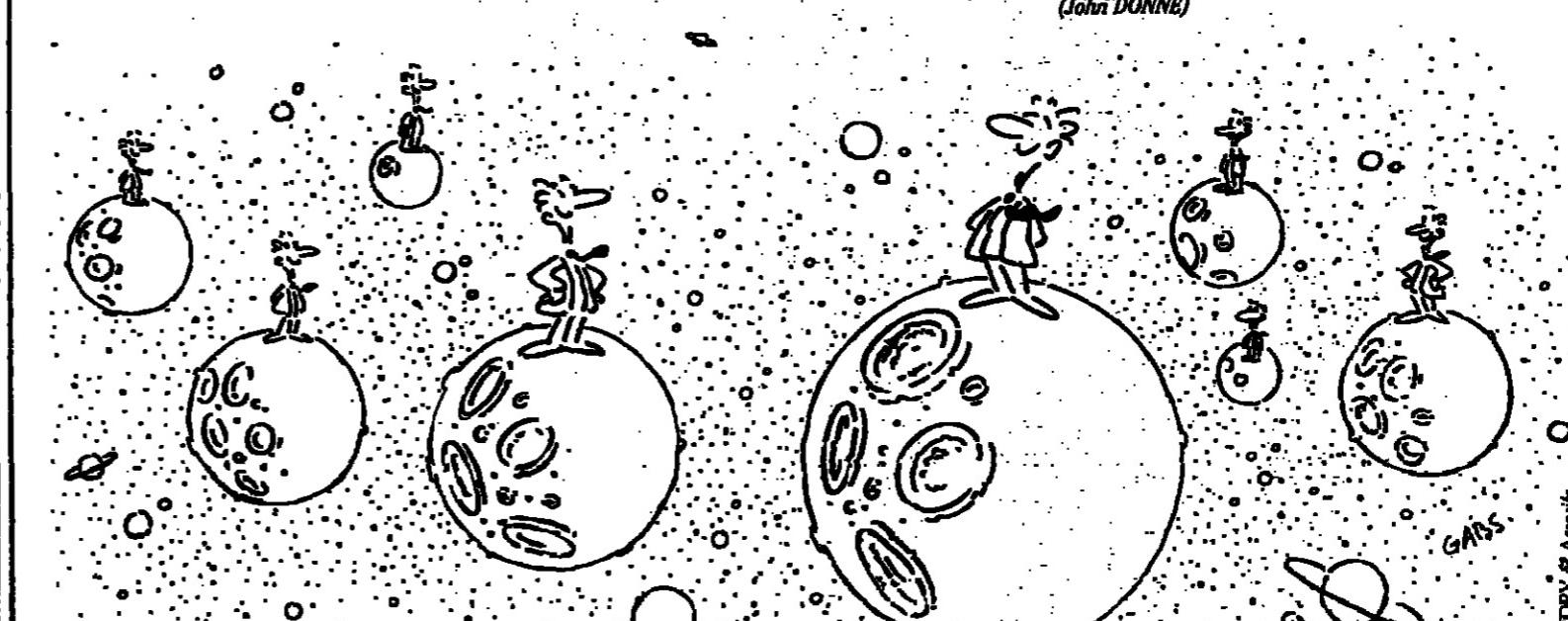
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GENERAL DYNAMICS
Space Systems Division

"No man is an island unto himself"

(John DONNE)

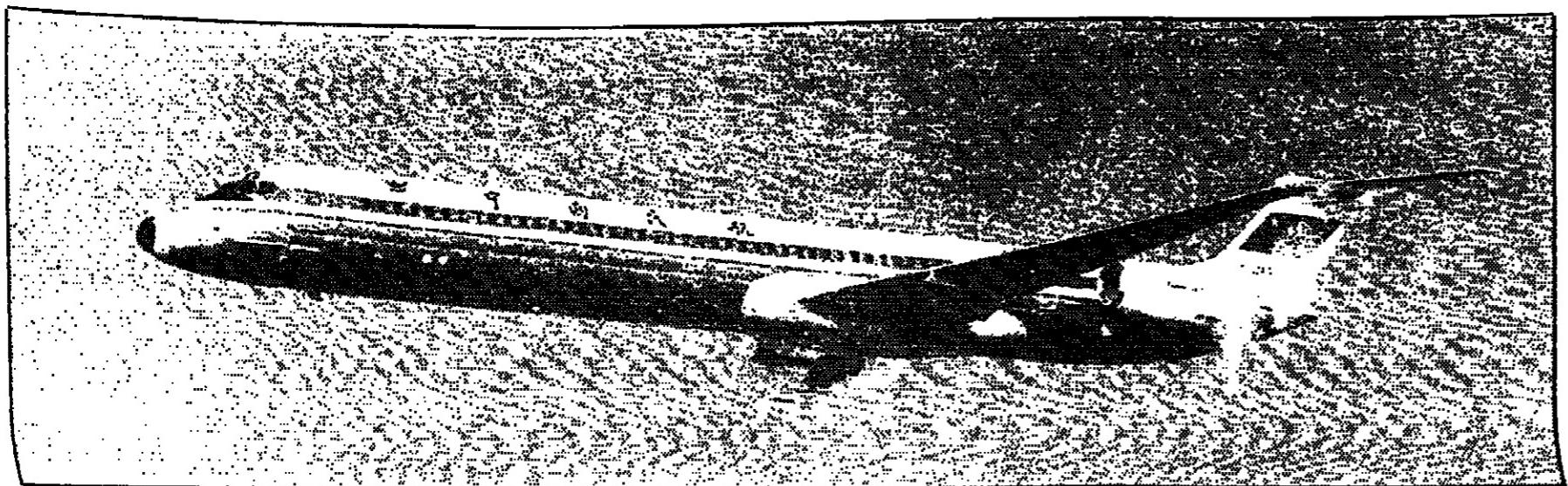


We pride ourselves on having partners all over the place in space: around us, above us, below us. For we're not the ones that carry the most weight. There are — brace yourself, now — some 1,400 men and women who work at Matra Espace. Only 1,400. Just think of it. But, you see, when we look out into space, straight ahead, what does it matter, on that scale, whether you're 1,400 or 14,000 strong? All the more in that we never imagined going where we're going all by ourselves.

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A McDonnell Douglas Super 80 belonging to the fleet of CAAC.

China's Market Adds Mobility to the Economy

By Peter Middleton

LONDON — Lack of foreign exchange, and the quest for the transfer of Western technology through joint ventures and license production, dominate the Chinese aerospace market. But, despite the clampdowns that followed the nation's 55 percent rise in imports during 1985, acquisition of multimillion-dollar airliners from overseas is still tolerated at the highest government levels because mobility is a catalyst of industrial expansion.

Sole purchasing authority for civil airliners, with one minor exception, is the Civil Aviation Administration of China (CAAC). This government organization combines the roles of aviation ministry, airport authority and state airline, although it is gradually giving operating autonomy to its domestic regions, which, in name at least, already claim separate airline status.

Aircraft account for only a small percentage of Chinese domestic transport today, but anyone who has traveled by Chinese railways knows why CAAC is in the process of quadrupling its capacity this decade. China is bigger than the United States and Mexico combined. The author endured one 600-mile (970-kilometer) train journey for 24 hours.

Punctuality is not a hallmark of CAAC either, but its traffic leaped by about a third during 1984 and 1985 — the year it ordered 50 new aircraft — and its growth is now scheduled to stabilize at about 15 percent a year until the end of the current national economic plan in 1990. No other major airline is contemplating such growth, twice that planned for the Chinese economy as a whole, but few have such a poorly served market.

CAAC carried 10 million passengers last year (up from about 7.5 million in 1985), but the 1.27 billion revenue ton-kilometer it generated were less than a quarter of those flown by British Airways, whose national population is one-twentieth the size.

Most growth is on domestic routes, of which CAAC has 253, plus eight to Hong Kong.

Traffic on the 27 international services is growing at only 5 percent, so the primary need is for more 150-seat twin jets and equipment to upgrade the airports to which they fly. This includes navigation aids, air traffic control systems, weather monitoring equipment, communications and reservation systems.

Like the rest of the world, CAAC goes in-hand to Boeing for 747s, including three of the new 747-400s, but it has acquired an unusually wide variety of other modern equipment. This ranges from Boeing 737s and 767s (with 757s on order), through McDonnell Douglas MD-80s and Airbus A-310s to Tupolev Tu-154s, which are based only in the north-east near the Soviet border, suggesting political rather than technical motivation for their acquisition in a barter deal.

Early CAAC equipment was almost exclusively Soviet until the 1980s, after which Britain seized the opportunity to sell Tridents. More recent British sales to CAAC include British Aerospace's regional jets and Shorts-360 turboprops.

Understandably, CAAC has been wary of Chinese-built airliners, and only recently released 14 local derivatives of the Soviet An-24 turboprop from cargo and charter duties for scheduled passenger services.

To enhance its credibility and to acquire export potential for a modernized version, Chinese industry has contracted the Hong Kong Aircraft Engineering Company, a sister company of Cathay Pacific Airlines, to help it westernize the aircraft with new avionics and interiors. The resulting 50-seat Yun-7-100 is in production at Xian against CAAC orders for 40, and stretched variants will be built. Significantly, China has built old Soviet helicopter designs for many years and, as part of the overall plan to acquire technology as well as to prevent imports, it has already produced more than 50 French Aerospatiale Dauphin helicopters, called Z-9s. Local content is now above 80 percent, and the Z-9 will become totally Chinese by 1989.

China is also seeking overseas partners for co-development of light-and-medium-lift helicopters, but has built its own heavy-transport type, known as the Z-8. This looks suspiciously like the Super Frelon — an old design by Aerospatiale whose Gazelle lightweight missile-armed antitank helicopter recently won a Chinese military order against U.S. and West German competition.

A much bigger cooperative deal is the \$2 billion joint venture between McDonnell Douglas and the Chinese Aero Technology Import/Export Corporation to assemble 25 MD-80 jet airliners for CAAC in Shanghai, with 15 options to follow, and a potential domestic market for at least 100. Delivery of the MD-19 has produced the A-5 Fanta

the first locally assembled aircraft is scheduled for July. China will become a tough market for competing products.

Chinese manufacturers' plans for self-sufficiency in civil aviation also include domestic sales of 200 20-seat Y-12 turboprops, although orders have yet to be placed. The Western avionics fit of the prototype was integrated in Hong Kong, its Canadian Pratt & Whitney engines will be assembled in China.

In the longer term, China is looking for cooperation on a new 30 to 40 seat (already an oversubscribed category, however), and could be coproducing 75- to 100-seat propfan-powered airliners, now being studied by West Germany's MBB.

Most Western helicopter manufacturers have made direct sales of craft into the potentially huge Chinese aerial-work market, but only in small numbers. Tasks include offshore oil support and aerial seeding of new forests to stem the easterly migration of the Gobi desert. The most recent demonstration tour was conducted by Boeing Vertol, which hopes to sell a few heavy-lift Chinooks for installation of hydroelectric power lines.

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Chinese jet combat aircraft have mostly been straight copies of pre-1960 Soviet types, such as the F-7 fighter (MiG-21) and H-6 bomber (Tu-16), but a major redevelopment of the MiG-19 has produced the A-5 Fanta

which is far superior to the original. Both the F-7 and A-5 have had some export success, notably to Pakistan, which is taking 60 advanced F-7Ms fitted with Western avionics.

The Chinese have also had to resort to Western help — this time from the U.S. Air Force — to upgrade the avionics of their big F-8 fighter. The USAF is integrating the entire navigation and weapon-control system of the aircraft, and will supply kits for 50 under a \$550 million contract.

Meanwhile, following the U.S. shuttle disaster and problems with Europe's Ariane rocket, China has gained a toehold in the satellite-launching market. Long March Industries has obtained launch contracts for the world's only secondhand communications satellites which were lost by one shuttle then recovered by West Germany's MBB.

The two satellites will be re-orbited by Long March-3 rockets for the American companies that bought them from their British insurers. The first should be in orbit again next year, provided the U.S. government approves their temporary "export" to China for the launch. This is not guaranteed, because the satellites contain some very high-technology equipment.

China launched its 19th satellite last year, and its success rate — including two out of three geosynchronous communications satellites — is creditable. At least 17 out of 21 launches have achieved their objectives.

China is believed to be quoting \$35 million to \$60 million per geosynchronous launch, compared with \$80 million to \$95 million for Ariane bookings placed today.

Launching space rockets is a difficult way to earn foreign currency. Tourism is easier. Already nearly 1.4 million overseas tourists are bringing in more than \$1 billion a year. Visitor totals are expected to reach three million by 1990 and five million by the end of the century.

More tourists will require more airliners. So will the travel demands of a billion Chinese, as long as industrial momentum can be sustained.

Aerospace is part of both processes. Increasingly, China is looking for participation rather than purchase.

Proposed FAA Rules Worry Foreign Firms

By James D. Baumgartner

WASHINGTON — Sometime this fall, the Federal Aviation Administration is expected to ask for comments from commercial aviation interests on whether foreign companies should be allowed to maintain and repair U.S.-registered transport aircraft. The agency provoked a worldwide outcry last year when it gave notice that such work would not be permitted.

This, in effect, would mean that Airbus Industrie or British Aerospace or Rolls-Royce or MTU could not work on the aircraft or engines or parts they sold to U.S. airlines. Large maintenance facilities established by such carriers as British Airways and Lufthansa also would not be allowed to work on U.S. aircraft. Foreign companies faced the loss of millions of dollars in lucrative repair and maintenance contracts.

The FAA notice also created a great deal of alarm in the United States, where many airlines were flying foreign aircraft or engines and were faced with the prospect of having no one to maintain them. However, the FAA ignored the criticism, saying it was acting in the interest of air safety. Many thought the agency was acting in restraint of trade.

It was not until John Moore, the British secretary of state for transport, visited Elizabeth Hanford Dole, the U.S. secretary of transportation, in April that some relief from the FAA notices was promised.

Mrs. Dole ordered the FAA to conduct a rule-making on the issue, which means that the concerned industries will get a chance to comment before the FAA develops a policy on foreign repair and maintenance. Many still fear the agency, however, will use the rule-making procedures merely as a pretext to carry out its original intention.

Among the nations that have objected to the FAA notices are Belgium, Denmark, West Germany, the Netherlands, Portugal, Spain, Sweden and Britain. Most of the large foreign flag carriers have protested as have the International Air Transport Association (IATA), the U.K. Civil Aviation Authority (CAA) and the Association of European Airlines.

The CAA, for example, said that the "tone" of the FAA notices "clearly infers, by the onerous limitations applied, that components from foreign sources, including the U.K., are to a lower order of safety, an inference which the CAA cannot accept as justified."

The legality of the notice was questioned by IATA, which said that for the past 37 years, the FAA has "without limitation or hindrance, knowingly authorized foreign repair stations to work and has permitted them to work on U.S.-registered aircraft as long as such aircraft, engines or parts were at least partially used in operations outside the U.S."

"The practice in the industry has included the transporting of internationally used aircraft, engines and parts to foreign repair stations for the purpose of performing inspections or maintenance. These practices have not been

covert, but have existed under the watchful but acquiescent eye of the FAA."

IATA also said that under U.S. law, "such long-standing practices have effectively established an informal rule authorizing such practices which cannot now be rescinded without compliance with the notice and comment procedure" of the U.S. Administrative Procedure Act.

The U.S. State Department, however, backed the FAA. In a letter drafted for several nations, the State Department said the FAA notices were "motivated strictly by a desire to ensure the highest possible standards for U.S.-registered aircraft within the limits of FAA budgetary resources. They are neither arbitrary nor intended to influence or restrain trade in goods or services."

The State Department disagreed that the

Foreign companies face the loss of millions of dollars in lucrative contracts.

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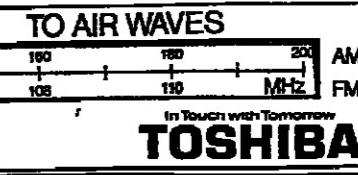
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MONDAY, JUNE 15, 1987

INTERNATIONAL Herald Tribune

BUSINESS/ FINANCE



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EUROBONDS

Dollar's New Strength Makes Little Impression on Market

By CARL GEWIRTZ
International Herald Tribune

PARIS — The dollar firmed on currency markets last week, buoyed by a continuing reduction in the U.S. trade deficit and a slowdown in the rise of wholesale prices. But the improvement had little impact on the Eurobond market, where foreign investors remained wary of taking on any new exposure in dollars.

Money managers said they believed the dollar would hold at around current levels, at least in the near future. They are impressed by the Federal Reserve's recent willingness to raise interest rates and by the coordinated intervention by central banks to support the dollar.

But money managers question how far the Fed's designated new chairman, Alan Greenspan, will be able or willing to go in raising rates if the need arises. They question, as well, the capacity of central banks to go on accumulating dollars at the record rate set in the first quarter of the year.

In any event, even if the Fed supports the currency by raising rates, this will be bad news for the bond market as prices must drop as rates rise.

While currency dealers were clearly impressed with the reduction in the U.S. merchandise trade deficit — as were bond dealers, who immediately marked up their prices — investors said they were skeptical about whether the improvement can be sustained to a degree that eliminates the threat of longer-term dollar depreciation.

The defensive posture was best illustrated last week by General Motors Acceptance Corp.'s sale of \$200 million with an exceedingly short maturity of only two years — the only classic straight-dollar debt that was marketed. Prices on such short-dated paper are much less volatile than longer-term paper.

Even so, a number of the banks that traditionally underwrote GMAC issues doubted there was enough demand and turned down the invitation from Union Bank of Switzerland to join the syndicate. The paper was offered to underwriters at a yield of 55 basis points, or .55 percent, over the yield on comparably dated Treasury notes. The price dropped and the yield widened to 65 basis points but by week's end was back to offering level.

THREE was a burst of late week activity in the sterling sector once it became clear that Margaret Thatcher had been returned to office with an impressive majority. However, the new issues — from Swedish Export Credit, Amro Bank and Banca Nazionale del Lavoro — were priced aggressively on the anticipation that British interest rates will be cut.

But both the pound and the sterling bond market were buffeted by profit-taking in the aftermath of the general election, leaving the new issues trading at discounts outside the fees paid to underwriters.

There were six new Australian dollar bonds launched last week, but most traded at substantial discounts. Dealers complained that the volume was too big for the limited demand, and they were especially critical of the terms on Eurofima's issue — a long maturity of seven years and a coupon that was too low.

Eurofima also tapped the Euroyen market, again at aggressive terms: with coupon and offering price on its seven-year paper virtually equal to those set by the State Bank of Victoria on a five-year issue.

The market for equity-linked paper remained buoyant last week with the Japanese continuing as the biggest issuers. Bankers reported increased interest in the Japanese companies that are most reliant on exports. These had been shunned because of the yen's appreciation but are coming back into favor as the exchange rate stabilizes.

The most notable of last week's issues was from Mitsubishi Chemical, which set a record low coupon of 1 percent on its \$200 million of five-year notes, down from the 1½ percent that had initially been indicated. Despite the coupon cut, the paper ended the week at a premium of 8½ percent.

Chemical companies are the current vogue on the Tokyo stock exchange as the appreciation of the yen has substantially reduced the cost of oil imports priced in dollars.

Like all the Japanese companies issuing equity warrant bonds, Mitsubishi Chemical swapped the proceeds from the dollar bond into yen. Instead of paying interest on the yen swap, the Japanese are able to use low-cost dollars to generate income, receiving interest in yen — in this case reported to be in the area of 2½ percent — from the counter-party wanting such low-cost dollars.

Bankers report that the premium pricing on Japanese equity warrant bonds during the syndication period needs to be looked at with some suspicion. They say that lead managers often artificially manipulate the when-issued price to a substantial premium to justify a later reduction in the coupon. Once the issue

See EUROBONDS, Page 17

Currency Rates

June 12									
		U.S.D.		F.F.		H.L.		Gbp.	
		\$	£	fr.	£	fr.	£	fr.	£
Amsterdam	2,348	112.67	33.77	8,154	—	5,244	136.16	141.49	7
Brussels (a)	37.93	61.95	2,659	2,623	140.49	—	2556	26.84	1
Frankfurt	1,792	2,985	—	125.24	121.8	4,687	121.56	121.56	4.25
London (b)	1,625	2,985	—	125.24	121.8	4,687	121.56	121.56	4.25
Milan	1,638.5	2,617.10	724.95	274.91	2,617.10	443.00	2,617.10	875.39	9.10
New York (c)	6,051	—	1,810.50	4.65	1,209.35	2,029	37.53	1,699.00	143.95
Paris	6,000	8.95	3,247	—	4,615.15	2,063	141.95	4,605	4,194.50
Tokyo	14,233	223.50	78.74	—	1,114.44	72,405	2,396.7	42,879	1,707.50
Zurich	1,466	2,672	—	2,617	1,814.44	72,405	2,396.7	1,717.2	143.95
1 ECU	1,154	—	2,676	1,814.44	1,894.47	2,396.7	2,396.7	1,717.2	143.95
15 Dkr	1,018	0.799	2,331	7,289	1,489.32	2,029	48,351.4	1,959	183.00

Changes in London and Zurich, 15 others in other European centers. New York rates for 4 P.M. (a) Commercial franc; (b) Arrears needed to buy one bond; (c) Amounts needed to buy one bond. (d) Units of 100 (e) Units of 1,000 (f) Units of 10,000 N.G.: not quoted; N.A.: not available; (g) To buy one bond: (h) \$0.53,162.65

Other Dollar Values

Currency per U.S.D.		Currency per U.S.D.		Currency per U.S.D.		Currency per U.S.D.	
Austria, marked	1.64	Fiat, marked	4,342	Mark, marked	1,294.55	S. Kor., marked	812.00
Australia	1.745	Greek drach.	13,400	—	1,600	Swiss, marked	1,625
Austria, sci.	1,745	Hong Kong	—	1,600	Swiss, people	1,625	—
Baltic sci.	1,246	Iceland, reypur	—	4,617	Swiss, people	1,625	—
Baltic, rupiah	3,675	Moros, Irone	4,648	Swiss, Irone	4,256	—	4.25
Brazil, cruz.	1,625	Port. escudo	1,452.35	PEK, pean	30.25	Taiwan 5	31.12
Canada	1,208	Irish 5	—	1,600	Taiwan 5	31.12	—
Chinese yuan	3,721	Iceland, skak.	—	3,720	Taiwan 5	31.12	—
Danish krona	2,167	Malaysian ringgit	3,280.4	Sh. 5	1,219	UAE dirham	3,675
Dollar, rupiah	2,167	Motor, ringg.	2,485.0	S. Afr. rand	1,972.00	Venez. boliv.	29.70

a: sterling; 1.154; Irish 5

Source: Interbank (Brussels); Banca Commerciale Italiana (Milan); Banque Nationale de Paris (Paris); Bank of Tokyo (Tokyo); IMF (SDR); BAFI (Bahrain, Riyadh, Bahrain); Gostock (London); Other data from Reuters and AP.

Last Week's Markets

All figures are as of close of trading Friday

Stock Indexes		Money Rates		United States		United States		June 12	
United States	June 12	June 5	Ch'ns	Discount rate	3%	Prime rate	3%	June 12	June 5
DJ Indust.	2,377.73	2,326.15	+ 2.22 %	Federal funds rate	6.13/14	6.11/12	6.11/12	140.49	141.49
DJ Util.	2,027.77	198.64	+ 2.58 %	Prime rate	6.13/14	6.11/12	6.11/12	140.49	141.49
DJ Trans.	1,025.53	986.66	+ 14.14 %	Call money	3/3/16	3/3/16	3/3/16	140.49	141.49
S & P 100	391.62	384.27	- 2.65 %	3-month interbank	3/9/16	3/9/16	3/9/16	140.49	141.49
S & P 500	349.12	342.65	- 2.03 %	West Germany	3/9/16	3/9/16	3/9/16	140.49	141.49
NYSE Co.	167.25	164.59	+ 2.45 %	Lombard	5	5	5	140.49	141.49
Britain	2,296.50	2,228.80	+ 2.72 %	Call money	3/3/16	3/3/16	3/3/16	140.49	141.49
FTSE 100	1,747.50	1,729.50	+ 2.30 %	3-month interbank	3/7/16	3/7/16	3/7/16	140.49	141.49
Japan	25,694.27	25,271.20	+ 2.47 %	Bank base rate	9	9	9	140.49	141.49
Nikkei 225	1,755.00	1,749.50	+ 0.35 %	Call money	10	10	10	140.49	141.49
West Germany	1,755.00	1,749.50	+ 0.35 %	3-month interbank	8/7/16	8/7/16	8/7/16	140.49	141.49
Hang Seng	3,129.88	3,064.33	+ 2.14 %	dollar	June 12	June 5	Ch'ns	140.49	141.49
World	472.30	468.40	+ 2.23 %	Bk Engl. Index	101.30	n.o.	—	140.49	141.49
MSCI	7,200	6,980	+ 2.23 %	Gold	455.45	453.50	+ 0.43 %	London sum. fix	455.45

World Index from Morgan Stanley Capital Int'l.

eurobank, Credit Lyonnais

Apple Grows Up and Buttons Down to Business

Under Sculley, Success Means a New Core of Customers: Corporate America

By Mark Portis
Washington Post Service

PALO ALTO, California — Bishop Auditorium at the Stanford University School of Business Administration is packed. People are spilling out the doors to hear John Sculley's tales of life as chairman at Apple Computer Inc., and they interrupt him often with laughter and applause.

"Apple is a very different company," Mr. Sculley says. "Apple makes some big promises to people when you join it. One promise is that you're going to personally be able to make a difference. Another is that you're going to be a part of an adventure to change the world. Another is that you're going to get a chance to learn that experience."

Not long ago, the person saying these things might have been Steve P. Jobs, Apple's charismatic co-founder. But Mr. Jobs is gone, the loser two years ago of a power struggle with the more reserved Mr. Sculley, a former PepsiCo Inc. executive whom Mr. Jobs had hired to be his mentor.

Today, Cupertino, California-based Apple is one of the few bright spots in struggling Silicon Valley. But the company has gone through wrenching changes. The topic of Mr. Sculley's speech is "Managing in a Crisis." Shortly after Mr. Jobs's ouster, Apple posted its first, and only, quarterly loss. Twenty percent of the people hired to make a difference and change

Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London. Tel.: 01-623-1277.
Prices may vary according to market conditions and other factors.

Prices may vary according to market conditions and other factors.

Dollar Straights

Chicago Exchange Options

Figures as of close of Trading Friday.

DM Straights

Digitized by srujanika@gmail.com

Euromarts At a Glance

Eurebond Yields

	June 16	June
U.S. S. Int'l Issns, 8 yrs & over	9.18	9.
public issuers, 8 yrs & over	9.22	9.
other issuers, 8 yrs & over	9.19	9.
other issuers, 5 to 7 yrs	8.97	8.
Pounds sterling, 5 to 7 yrs	7.12	7.
0.44		
5.59		
6.54		
6.26		
5.65		
5.62		
5.48		
4.28		
5.29		
6.16		
5.33		
Source: Luxembourg Stock Exchange.		

Yen Straights

DM Zone Sensors

DM ZERO COUPONS				NYSE Most Actives				
	Mat	Price	Yld	Vol.	High	Low	Last	Chg.
Swiss				PocG/E	165913	21 14	20 12	-
Austria	95	119.75	n.a.	DefEd	144017	17 1/8	16 1/4	+1/8
Austria	00	118.50	n.a.	Daythd	116118	57 1/2	48 1/2	+5 1/2
Wimmerzak	95	61.15	6.40	FanAm	107470	5 1/2	4 1/4	+5 1/4
Wimmerzak	00	42.25	6.78	AT&T	85150	26 24 1/2	25 1/2	+1
Wimmerzbank				Worlde's	80265	25 1/4	23 1/2	+3 1/2

DM B	26	5.60	7.1
Total Sec.	07	24.75	7.4
Conlli	00	38.75	7.5

NYSE Sales						
	Car	Avg Price	Yld	Cur	Yld	Sales Vol.
Ford	40710	\$3.44	38%	37.94	37%	+0.00
Ford	37719	\$3.77	91%	37.94	37%	+0.00
AAM	37458	\$1.12	58%	37.94	37%	+0.00

ing above does not include floating rates or convertibles.

	This Wk	Last
Advanced	1389	1170
Declined	565	728
Unchanged	225	264
Total Issues	2169	2172
New Highs.	165	102
New Lows	41	82

100

■ Fixed Income and Equity for dealing prices call:

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	International Bond Trading and Sales: Telex Telex 8 581851/8 581882
London	Westdeutsche Landesbank, 41, Moorgate, L. Telephone (1) 638 6141, Telex 887 984
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New International Bond Issues

Compiled by Laurence Desvilles

Issuer	Amount (millions)	Mot.	Coup. %	Price end week	Price end week	Terms
FLOATING RATE NOTES						
TOPS Series IV	\$130	1992	0.15	100.10	100.00	Over 4-month Libor. Noncallable. Fees 0.15%. Denominations \$250,000.
HMC Mortgage Notes I	£150	2017	1/4	100	99.50	Over 3-month Libor until 1997 or until pool of mortgages is paid off, whichever comes first. Interest will be 1/4 over Libor plus 1.5%. Average life 7 years. Callable at par in 1997. Fees 0.20%. Mortgages backed bonds in denominations of £100,000.
FIXED-COUPON						
General Motors Acceptance Corp.	\$200	1989	8 1/4	100%	99.98	Noncallable. Fees 1.0%.
Council of Europe Retirement Fund	DM 150	1997	6 1/4	113 1/4	—	Noncallable. Each 5,000-yen note with 10 two-year warrants, each giving the right to buy 2500 or 1,500 marks per dollar. Break-even rate 1.94 marks. Fees 1.0%.
Amsterdam-Rotterdam Bank	£50	1992	9 1/4	101 1/4	99.38	Noncallable. Fees 1.0%.
Banca Nazionale del Lavoro [London]	£50	1992	9 1/4	101 1/4	99.38	Noncallable. Fees 1.0%.
Swedish Export Credit	£50	1992	9 1/4	101 1/4	99.50	Noncallable. Fees 1.0%.
Swedish Export Credit	ECU 50	1994	7 1/4	101 1/4	99.50	Noncallable. Fees 1.0%. Denominations 10,000 ECU.
Deutsche Bank Finance	CS 100	1992	9 1/4	101	99.90	Noncallable. Fees 1.0%.
Royal Trustco	CS 100	1992	10 1/4	101 1/4	99.23	Noncallable. Fees 1.0%.
Christiania Bank	Aus\$ 30	1990	14 1/4	101 1/4	99.13	Noncallable. Fees 1.0%.
Eurofima	Aus\$ 75	1994	13 1/4	101 1/4	99.13	Noncallable. Fees 2.5%.
Nederlandse Gasunie	Aus\$ 75	1989	14 1/4	101 1/4	99.63	Noncallable. Fees 1.0%.
NordLB Finance [Europe]	Aus\$ 50	1991	13 1/4	101 1/4	99.85	Noncallable. Fees 1.0%.
Santa Australia Leasing	Aus\$ 30	1992	14 1/4	101 1/4	98.75	Noncallable. Fees 2.5%.
Vigontio Dominion [Australia]	Aus\$ 50	1990	14 1/4	101 1/4	100.00	Noncallable. Fees 1.0%.
Federal Business Development Bank	NZ\$ 50	1989	18 1/4	101 1/4	99.75	Noncallable. Fees 1.0%.
Denmark	Y 10,000	1991	8	115 1/4	—	Noncallable. Fees 1.0%. Denominations 10 million yen.
Eurofima	Y 20,000	1994	4 1/4	101 1/4	99.75	Noncallable. Fees 1.0%.
State Bank of Victoria	Y 30,000	1992	4 1/4	101 1/4	99.88	Noncallable. Fees 1.0%.
EQUITY-LINKED						
Canon Sales	\$100	1992	1 1/4	100	100.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of 2,153 yen per share and at 143.40 yen per dollar. Fees 2.5%.
Daishi Danchi	\$100	1992	1 1/4	100	99.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of 1,189 yen per share and at 143.45 yen per dollar. Fees 2.5%.
Glory	\$60	1992	open	100	99.00	Coupon indicated at 1.0%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of an expected 20% premium. Fees 2.5%. Terms to be set June 18.
Hokuriku Bank	\$100	2002	1 1/4	100	103.00	Semiannual. Convertible at 1,400 yen per share and at 142.85 yen per dollar. Fees 2.5%.
Kansai Paint	\$60	1992	open	100	99.00	Coupon indicated at 1.0%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of an expected 25% premium. Fees 2.5%. Terms to be set June 15.
Matsuya	\$50	1992	open	100	100.50	Coupon indicated at 1.0%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of an expected 25% premium. Fees 2.5%. Terms to be set June 15.
Mitsubishi Chemical Industries	\$200	1992	1	100	108.50	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of 1,200 yen per share and at 142.85 yen per dollar. Fees 2.5%.
Nikken Chemicals	\$50	1992	open	100	98.50	Coupon indicated at 1.0%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of an expected 25% premium. Fees 2.5%. Terms to be set June 16.
Pacific Dunlop	\$75	1997	open	100	99.00	Coupon indicated at 6 1/2 to 7%. Convertible at an expected 20 to 25% premium. Fees 2.5%. Terms to be set June 17.
Tokyu	\$150	1992	open	100	106.00	Coupon indicated at 1.0%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of an expected 25% premium. Fees 2.5%. Terms to be set June 16.
Toyo Sash	\$100	1992	1 1/4	100	100.50	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of 6,663 yen per share and at 142.85 yen per dollar. Fees 2.5%.
Victor Co. of Japan	\$100	1992	1 1/4	100	105.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of 2,778 yen per share and at 143.35 yen per dollar. Fees 2.5%.
Victor Co. of Japan	\$50	1994	2 1/4	100	102.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of 2,778 yen per share and at 143.35 yen per dollar. Fees 2.5%.
Bell Group	£75	1997	open	100	98.50	Coupon indicated at 5%. Redeemable in 1992 to yield 8%. Convertible at an expected 20 to 25% premium. Fees 2.5%. Terms to be set June 19.
Texaco	ECU 80	1992	open	100	98.00	Coupon indicated at 1.0%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of an expected 25% premium. Fees 2.5%. Terms to be set June 18.
WARRANTS						
National Australia Bank	0.10	12 mos	—	\$20	—	Call warrants exercisable at par into Australian dollar-denominated bond paying 1.0% and due 1992.

EUROBONDS: Doubt on Dollar

(Continued from first finance page)

is priced and moves to the secondary market, the premium frequently disappears.

Bankers also report that last week's fiasco with the Minebea issue is likely to ensure that two banks are never again given the task of syndicating bonds bearing identical terms in different markets.

Although Daiwa Securities had indicated it would proceed with marketing \$100 million of Minebea paper in the Asia dollar market at a slightly higher coupon than on the Eurodollar bond that Nomura Securities had canceled, Daiwa subsequently also withdrew the issue — leaving both firms red-faced.

As first structured, Minebea's \$100 million Eurobond was to carry identical terms to the \$100 mil-

lion offered in Asia. However, as trading is much more active in London than in Singapore, the bulk of the \$200 million issue was sold in London — putting Nomura in the position of either supporting the price at a big loss and bailing out Daiwa, or abandoning the issue.

Daiwa, in announcing it would continue at a higher coupon, canceled the initial issue — and all the trading that had taken place — rather than simply adjust the indicated coupon. In the end, even this did not work and Daiwa also threw in the towel.

Victor Co. of Japan gave two competitors, Nomura and Yasuichi, mandates to run simultaneous Eurobonds. But these are not identical issues, as one is for five years and the other for seven. Both ended the week at modest premiums.

The one limitation is that banks providing the credit must have access to domestic francs, meaning the participating banks must have a presence in France. However, this is not a tremendous hurdle.

Credit Lyonnais and Chase Manhattan, arrangers of the facility, reported that more than \$500 million was raised in syndication from around 45 banks. Just over half the total subscriptions came from non-French banks.

Given the size of the oversubscription, the commercial banks were asked to take — \$15 million for lead managers, \$10 million for co-managers and \$5 million for co-managers — will be sharply reduced.

In addition to drawing on the credit, Hachette can use it as a back-up facility for the issuance of short-term paper. Four banks, Morgan Guaranty, Chase, Swiss Bank Corp. and Crédit Commercial de France were named as dealers to distribute Euro-commercial paper. Another four, Crédit Lyonnais, Banque Nationale de Paris, Société Générale and CCF, were named to distribute domestic commercial paper.

The success of the Hachette loan bankers say, assures that other French companies will use the formula to tap the market.

In the Euro-CP market, Belgium, which earlier this year announced a program of unframed size, issued its first paper. The \$28 million was issued for three months at a cost of

"less than 10 basis points below Libid," the London interbank bid rate, according to a Belgian official, who refused to be more specific.

High-grade sovereign debt currently fetches from 8 to 10 basis points or hundreds of a percent point, below Libid. Belgium's ability to better than is believed to be a function of its scarcity value. How-

INTERNATIONAL CREDIT

ever, that should evaporate, as the government expects to have \$200 million of CP outstanding by end of summer and \$300 million by the end of the year.

In the syndicated loan sector, Whirlpool Acceptance Corp. is setting up a \$150 million, five-year credit on which it will pay 18 1/2 basis points over Libid and a utilization fee of an additional 5 basis points if more than half is drawn. The commitment fee on undrawn amounts is 7/4 basis points.

The Canadian subsidiary of South Korea's Hyundai Motor Co. is seeking a \$100 million, nine-year credit to help finance the construction of a paper mill in Scotland. Lloyd's Bank is arranging a syndicate of banks led by Union Bank of Finland will provide up to £165 million in guarantees. Interest on the guarantee facility will be 14 percent, with a commitment fee of 4 percent on unused amounts.

Montagu is also arranging a \$50 million loan for Equitacorp, to finance the Australian company's

purchase of 28 percent of Guinness Peat of Britain. The three-year loan will bear interest of 8 1/2 basis points over Libid. The commitment fee on undrawn amounts is 1/4 percent and underwriters are being offered front-end fees of up to 7/4 basis points.

Montagu and Citicorp have agreed to underwrite a loan of around £100 million to finance part of the proposed \$460 million takeover by WPP Group, a British marketing company, of JWT Group, the giant U.S. advertising firm. If the takeover is completed, the banks will begin syndicating the credit, which is expected to carry a spread of 24 to 2 1/4 points over Libid.

The 737 became the best-selling airliner ever.

PARIS — Orders announced here by Boeing Co. have made its 737 aircraft the best-selling airliner in aviation history.

The total number of Boeing 737s ordered rose to 1,842, with 20 orders announced Friday at the Paris Air Show. They came from two airlines and a leasing company. Boeing's 727, which is no longer in production, had the previous record, 1,831.

Boeing introduced the 727, which carried from 150 to 160 passengers, in 1964.

The 737 came out four years later. It was built for shorter routes and fewer passengers. And in the 1970s, both were desirable. With deregulation, carriers focused on smaller cities to feed passengers into their hubs. And when oil prices shot up, more economical planes were in demand. The 737 carries from 108 to 146 passengers.

This will have a five-year life and a facility fee of 5 basis points if up to half the amount is drawn, and 4 1/2 if more than half is used.

Kymmenne Corp. of Finland is seeking £250 million to finance the cost of building a paper mill in Scotland. Lloyd's Bank is arranging a leasing finance of £85 million and a syndicate of banks led by Union Bank of Finland will provide up to £165 million in guarantees. Interest on the guarantee facility will be 14 percent, with a commitment fee of 4 percent on unused amounts.

Montagu is also arranging a \$50 million loan for Equitacorp, to finance the Australian company's

purchase of 28 percent of Guinness Peat of Britain. The three-year loan will bear interest of 8 1/2 basis points over Libid. The commitment fee on undrawn amounts is 1/4 percent and underwriters are being offered front-end fees of up to 7/4 basis points.

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Even before the Allegis upheaval, there were signs that the recent bombardment of bizarre new corporate names — Unisys, Omnicom, USX and UNUM among them — was making many chief executives think twice about changing their companies' names.

That's good advice for almost

The CDs pay interest semiannually and will be listed on the Luxembourg Stock Exchange. Merrill Lynch, which is arranging the program, says it will maintain a constantly updated bid-offered price on its Reuters and Telerate screens.

Bristol & West also appointed Samuel Montagu to arrange a £200 million multi-currency facility, of

less than 10 basis points below Libid, the London interbank bid rate, according to a Belgian official, who refused to be more specific.

High-grade sovereign debt currently fetches from 8 to 10 basis points or hundreds of a percent point, below Libid. Belgium's ability to better than is believed to be a function of its scarcity value. How-

Mexico and U.S., Amid Trade Spats, Discuss a Broad Accord

By Larry Rohter

New York Times Service

MEXICO CITY — The United States and Mexico have begun negotiations on an economic agreement intended to set the tone for their broadening commercial relationship, but there are significant differences on several issues.

The agreement would be the most sweeping negotiated between the two since Mexico joined the General Agreement on Tariffs and Trade last year. Under discussion are not only traditional trade matters, but also such thorny questions as investment, services and intellectual property rights.

Officials for both governments said the Mexican action was not directly related to broader trade issues under discussion and was not intended to "send a message" to Washington. But another incident, both sides agreed, stems di-

rectly from issues the United States wants resolved in any agreement.

On April 1, the United States announced modifications of its Generalized System of Preferences program affecting 34 Mexican products, ranging from paper bags to electric generators. The program allows specified products from developing countries to enter the United States duty-free, and Mexico is its fourth-largest beneficiary, according to trade

NASDAQ National Market
OTC Consolidated trading for week ended Friday

OTC Consolidated trading for week ended Friday, June 12

Mutual Funds

*Figures as of close of trading Friday,
June 12*

NEW YORK (AP)—	Bid	Ask
the following quotations, supplied by the National Association of Securities Dealers Inc., are the prices at which these securities could have been sold [Net Asset Value] or bought [Offering plus sales com-		
CapGr	12.71	NL
Brinc	12.23	NL
Globe	12.00	NL
HylId	11.15	NL
TxFre	17.22	NL
USGvI	14.49	NL
CalMuni	8.72	NL
CalTrst	11.19	NL
Colverit Group:		
Ariel	17.89	18.64
Eaulity	23.98	NL
Inco	16.16	16.92

Mutual Funds		Bid	Ash	Bid	Ash	
<i>Figures as of close of trading Friday June 12</i>						
NEW YORK (AP)—						
The following quotations, supplied by the						
National Association						
of Securities Dealers						
Inc., are the prices						
at which these						
securities could have						
sold last Friday.						
Value plus sales						
commissions, supplied by						
the following associations:						
Securities Dealers Inc.						
and the American						
Securities Association						
CalMun	9.90	NL		Grwth	10.79	N
CapGr	12.71	NL		Incom	16.94	N
Eainc	12.23	NL		Mutual	9.48	N
Golcn	19.80	NL		Speci	35.67	N
HIVId	13.15	NL		Franklin Group:		
TxFre	17.22	NL		CalIn	2.34	N
USGvI	14.69	NL		CapCn	10.44	N
CalTrst	8.72	NL		DNTC	9.03	N
Colver Group:	11.19	NL		Equity	7.67	N
Ariel	17.80	18.64		FedTx	11.02	N
Equity	23.98	NL		Gold	14.69	N
Inco	16.16	16.92		Grwth	19.50	N
EsStrat	19.28	NL		InstF	10.89	N
Easrgm	14.49	NL		MoTF	10.37	N
ErgTtl	19.43	NL		MtD	10.83	N
				MWMS	11.00	N
				NY Tax	10.88	N
				Ohio	10.63	N
				Option	6.29	N
				P RT F	10.53	10.91
				UHls	7.93	N
				Incom	2.30	N
				US Gov	7.12	7.47

(Continued on next page)

American Exchange Options

Figures as of close of trading Friday.

APPLE: Computer Maker Grows Up and Rides Out a Crisis by Targeting Business Users

(Continued from first finance page)
 their MS-DOS operating system became the industry standard, Apple clung to its own noncompatible hardware and software systems.

The best example of this was the Macintosh, released in early 1984.

Its "graphic interface," in which a user operated the computer by using a hand-held "mouse" to point at icons on the screen, was, while easy to use, like nothing else on the market—and deliberately incompatible with the IBM system.

Then the personal computer business collapsed. IBM cut prices to stoke sales, and Apple could not keep up.

Worse, the Macintosh, only a year old, stopped selling. Although an artistic success, the Mac had been judged too underpowered to be of value to businesses. Promised products to connect Macintoshes to one another to form the heavily advertised "Macintosh Office" never materialized.

In May 1985, Mr. Sculley pushed through a reorganization that united the company's two divisions, reduced redundancy and effectively removed Mr. Jobs from day-to-day control.

"It came down to very different ideas about what it was going to take to turn Apple around," Mr. Sculley said. "He left the company in early 1985. (He since has returned as a consultant.)

By then, Mr. Sculley was president, hired to give Apple some cache as a responsible, adult company in its largely fruitless efforts to sell computers to the vast business market that was ignoring Apple.

"Spirits were really high in 1984," Mr. Sculley said. "We didn't think we could do anything wrong. The industry was booming. We didn't know how high up was."

Then the personal computer business collapsed. IBM cut prices to stoke sales, and Apple could not keep up.

Mr. Sculley's weapon was the Macintosh Plus, introduced in early 1986, which had expanded memory, a faster operating speed and more ability to expand or connect to other computers.

Apple bounced back from its \$17.2 million loss in the third quarter of fiscal 1986 with a profit in the next quarter, indicating that the company's reorganization was taking hold.

The company also got a huge break. Steve Jobs had envisioned desktop publishing as a market for the Macintosh all along.

In 1986, the market exploded. The introduction of new software and relatively inexpensive laser

printers by Apple and others made it possible to turn the Macintosh into turn newsletters, graphics and reports that rivaled the quality of work done in professional print shops. Practically overnight, desktop publishing became a \$1 billion-plus industry, and Apple had the biggest share of it.

John Zeissler, until recently Apple's manager of business marketing and now vice president at the company's recently formed software subsidiary, said: "People have said that was our Trojan horse into business."

Macintosh sales doubled in 1986 from the year before.

To maintain its edge, Apple will have to keep advancing the technology. A group of new Macintoshes introduced shortly before the IBM announcement provides a hint of where Apple is headed. They include a more powerful version of the basic Macintosh, the SE model, and a machine that represents an even greater departure: the Macintosh II.

Apple is pushing the Macintosh II hard with the business community, selling it as a machine that can be dropped into any computer network.

NASDAQ National Market

OTC Consolidated trading for week ended Friday.

Sales in

100s: High Low Close Chg%

(Confined)

From Sv

FRCt

FRT

FreedF

Fretter

Frotn

FrostS

Fuchs

Fudrck

FuturPr

Futur

Futur

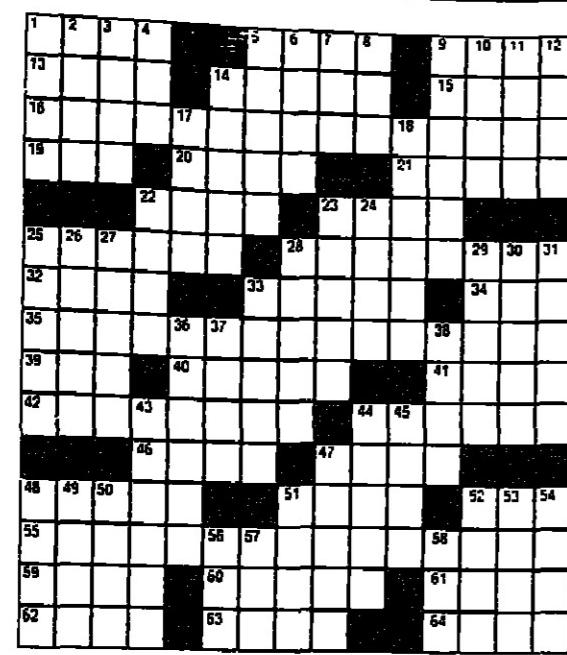
G

GK Svs

GWC

Gelato

Page 20



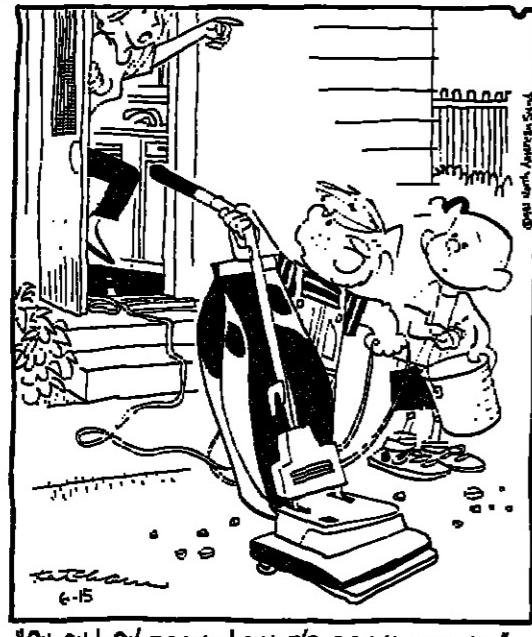
ACROSS

- 1 Famed seamstress
- 5 Product of 1 Across
- 9 — out (made do)
- 13 Caesar's "And you!"
- 14 "A — divided..."
- 15 Fountain order
- 16 Author of quote
- 19 "Oh — start of partial quote
- 20 M.I.T. or R.P.I.
- 21 Actor Jeremy
- 22 Incline, as a incline vein
- 23 Baldwin
- 25 Quote continued
- 28 Quote
- 32 Footnote word
- 33 Showy house plant
- 34 Potent ending
- 35 Quote continued
- 39 Somme summer
- 40 Gettysburg, Yosemita et al.
- 41 Bangkok native
- 42 Publications
- 44 Quote continued

DOWN

- 1 Ring V.I.P.'s
- 2 Norwegian river
- 3 Remain
- 4 Kind of fish or flower
- 5 Broadway choreographer
- 6 Craving
- 7 Cinematographers' org.
- 8 Part of G.W.
- 9 Lost calf
- 10 "Mikado" character
- 11 Former P.M.
- 12 Flag, Labor, etc.
- 14 — Kush, Asian range
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- 64 — Kush, Asian range

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DENNIS THE MENACE

"OH-OH! OL' ROCKIN' CHAIR'S GONNA GET ME."

JUMBLE

THAT SCRABLED WORD GAME
b: Henn Arnold and Bob Lee

Unscramble these four Jumbles. One letter to each square, to form four ordinary words.

HEWEL

TULSY

NEBATE

FIELDE

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Answer: IT'S [REDACTED]

(Answers tomorrow)

Friday's Jumble: AVAIL OWING SNAPPY TYPING

Answer: What was the confirmed bachelor's single thought?—STAYING THAT WAY

WEATHER

EUROPE

	HIGH	LOW	C	F	CELSIUS	FEHRN
Afghanistan	21	10	20	52	21	50
Albania	31	28	23	82	31	82
Algeria	23	17	16	61	23	61
Andorra	14	12	14	57	14	57
Bulgaria	18	14	14	57	18	57
Brussels	14	17	10	52	14	52
Budapest	31	28	19	82	31	82
Calcutta	27	21	19	62	27	62
Dublin	13	12	5	42	13	42
Edinburgh	12	9	5	42	12	42
Florina	19	16	13	55	19	55
Frankfort	19	16	13	55	19	55
Geneva	14	16	14	58	14	58
Helsinki	16	14	10	52	16	52
Les Palmas	1	1	1	1	1	1
Lisbon	19	16	12	52	19	52
London	19	16	12	52	19	52
Madrid	19	14	14	57	19	57
Milan	17	14	10	52	17	52
Moscow	29	26	14	57	29	57
Munich	29	26	14	57	29	57
Nice	27	19	15	55	27	55
Oslo	18	16	14	58	18	58
Paris	17	13	9	45	17	45
Prague	22	19	15	55	22	55
Rovinj	17	14	10	52	17	52
Rome	13	11	8	42	13	42
Stockholm	14	12	8	42	14	42
Strasbourg	18	14	12	52	18	52
Venice	18	14	12	52	18	52
Vienna	28	25	19	55	28	55
Warsaw	24	25	14	55	24	55
Zurich	23	19	13	55	23	55

MIDDLE EAST

	HIGH	LOW	C	F	CELSIUS	FEHRN
Ankara	1	1	1	1	1	1
Beirut	—	—	—	—	—	—
Cairo	—	—	—	—	—	—
Damascus	—	—	—	—	—	—
Istanbul	29	17	63	90	29	90
Jerusalem	29	17	63	90	29	90
Tehran	—	—	—	—	—	—

OCEANIA

	HIGH	LOW	C	F	CELSIUS	FEHRN
Auckland	17	11	52	45	17	45
Sydney	18	14	7	45	18	45
Tahiti	—	—	—	—	—	—
Tarawa	—	—	—	—	—	—

ASIA

	HIGH	LOW	C	F	CELSIUS	FEHRN
Bangkok	31	28	23	82	31	82
Beijing	31	28	23	82	31	82
Hong Kong	31	28	23	82	31	82
Manila	31	28	23	82	31	82
New Delhi	31	28	23	82	31	82
Seoul	31	28	23	82	31	82
Singapore	31	28	23	82	31	82
Taipei	31	28	23	82	31	82
Tokyo	31	28	23	82	31	82

AFRICA

	HIGH	LOW	C	F	CELSIUS	FEHRN
Egypt	31	28	23	82	31	82
Greece	31	28	23	82	31	82
Iraq	31	28	23	82	31	82
Lebanon	31	28	23	82	31	82
Morocco	31	28	23	82	31	82
Niger	31	28	23	82	31	82
Nigeria	31	28	23	82	31	82
Tunisia	31	28	23	82	31	82
Zaire	31	28	23	82	31	82

LATIN AMERICA

	HIGH	LOW	C	F	CELSIUS	FEHRN
Buenos Aires	31	28	23	82	31	82
Caracas	31	28	23	82	31	82
Lima	31	28	23	82	31	82
Mexico City	31	28	23	82	31	82
Rio de Janeiro	31	28	23	82	31	82
Santiago	31	28	23	82	31	82
Sao Paulo	31	28	23	82	31	82

NORTH AMERICA

|
| |

SPORTS

France, N. Zealand In Rugby Cup Final

Compiled by Our Staff From Dispatches

BRISBANE, Australia — New Zealand routed Wales here Sunday, 49-6, to set up a World Cup rugby final against France in Auckland, New Zealand, next Saturday.

Twenty-four hours earlier, France had swept into the final with a dramatic 30-24 victory over Australia in Sydney.

After a classic struggle, Australia and France were at 24-24 with two seconds remaining when fullback Serge Blanco plunged over in the corner for the decisive try.

Australia's hopes had been blighted when its last center Brett Papworth and 6-foot-7 (200-meter) lock Bill Campbell to first-half injuries. Daniel Dubroca, the French captain, said that "when Campbell left the field, we got much more ball from the lineout."

Australia led by 9-0 three minutes from halftime on a dropped goal and two penalty goals from Michael Lynagh. But France got back into the game when, after a lineout near the Australian goal line, lock Alain Lorieux slammed over for a try and wing Didier Camberabero converted.

The second half produced a spectacular flow. France took a 12-9 lead when center Philippe Sella showed superb footwork in scoring an unassisted try under the posts. A minute later Lynagh made a strong break that put Australia fullback David Campese over, giving him a world-record 25 tries in international competition (the previous record, 24 by Scottish wing Ian Smith, was set in 32 test matches between 1924 and 1933; Campese, in his sixth season, has appeared in 30 internationals).

Lynagh converted from the sideline to put Australia in front by 15-12, but then missed a simple penalty goal. Shortly thereafter, a try by wing Patrice Lagasquet, set up by Blanco, again put France ahead. Camberabero converted, and he maintained superb kicking form (making five of seven attempts) with another penalty for a 21-15 lead.

David Cadey, a substitute forward, broke through from short

range, cutting Australia's deficit to 21-19, and Lynagh converted to tie the game.

With 11 minutes left in regulation time, Lynagh kicked an easy penalty goal from in front of the posts for a 24-21 Australian lead, but seven minutes later Camberabero converted an angled penalty goal that leveled things at 24-24.

Alan Jones, the losing coach, described the French victory as "a piece of ambassadorship for the game that the World Cup was looking for.... They tilted at a very large windmill and brought it down."

Said Jacques Fouroux, the French coach: "We have been waiting for the occasion to show the pupil has overtaken the master, and it happened today."

In the other semifinal, New Zealand was totally dominant against Wales.

Driving up the middle almost at will, the front row of Steve McDowell, Sam Fitzpatrick and John Drake, supported by No. 8 Wayne Shelford, led the All Blacks to a 27-0 lead at halftime.

Shelford had a particularly eventful day. He scored two tries, and in the match's closing stages decked second-rower Hurw Richards with a short right in retaliation for the Welshman's having punched New Zealander Gary Whetton. Richards fumbled for several seconds before looking up to find he had been sent from the field by Kerry Fitzgerald, the Australian referee.

Wing John Kirwan exploded through tackles to score two first-half tries. Both of Shelford's scores came after powerful scrum drives from the five-meter line that that allowed him to pick up the ball and plunge over.

Other All Black tries came from Alan Whetton, Joe Stanley, Mark Brook-Cowden and John Drake, the only Welsh points came midway through the second half, on a try by John Devereux converted by Paul Thorburn.

New Zealand's victory owed nearly as much to the kicking of Grant Fox, who scored with seven conversions and a penalty goal from 11 attempts, as it did to the power of the forwards.

Said New Zealand Coach Brian Lochore: "The match was all stop-start. There was too much niggling to make it really memorable. But at least we know where we are going now and who we are playing."

New Zealand vs. France, he said, "should be the greatest test match that has been played for years."

Saturday's was the worst loss ever by the Welsh national team, dwarfing a 35-10 trouncing by Scotland in 1924. Captain Richard Moriarty said Wales would have to regroup before Thursday's playoff



Lock Alain Lorieux, muscling over the goal line just before halftime on Saturday for France's first try against Australia.

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Phils Win on Schmidt's 3 Homers, 6 RBI

Compiled by Our Staff From Dispatches

MONTREAL — Mike Schmidt hit three home runs Sunday afternoon, drove in six runs and collected his 2,000th hit in the major leagues as the Philadelphia Phillies beat the Montreal Expos 11-6.

Schmidt tied Mel Ott for 13th place on the all-time home run list with 511, and tied his single-game career high with the six RBI.

SUNDAY BASEBALL

Schmidt, who came off the disabled list Wednesday, has twice hit three homers in a game and once homered four times in an extra-inning game.

He hit a three-run homer in the third inning off starter Ray Sorenson, making the score 4-0. He homered with the bases empty in the ninth off reliever Curt Brown for his 2,000th hit, becoming the 153rd major-leaguer to reach that mark.

Schmidt then hit a two-run homer, his 16th of the season, off Randy St. Claire during a six-run seventh that made it 11-1. Schmidt, who grounded out in the second inning, came out of the game after his third homer. His replacement, Rick Schu, got to bat in the ninth, but also committed two of the three errors in the seventh inning that led to two runs for Montreal.

Mets 7, Pirates 3: In Pittsburgh, Darryl Strawberry hit a two-run homer, Rafael Santana tripled in two runs and Keith Hernandez drove in two with a homer and a double for New York.

Strawberry was ejected during the Pirates' 4-3 victory over the Mets on Saturday night, after he charged the mound when he hit by pitch from Bob Kipper in the second inning. Apparently because of that incident, plate umpire Dutch Renner warned both Pittsburgh starter Brian Fisher and New York starter John Mitchell after Fisher hit Tim Teufel with a first-inning pitch Sunday. The warning led to the ejections of Mitchell and Dave Johnson, in the third when Mitchell brushed back Fisher with a head-high pitch.

Cardinals 3, Cubs 2: In St. Louis, Danny Cox held Chicago to five hits for 8½ innings as his team swept the three-game series.

The Cardinals scored the winning run in the seventh on John Morris's triple and a suicide-squeeze bunt by Tommy Herr. They won their fourth straight and extended their lead in the National League East to six games, their largest margin since they won the World Series in 1982. The Cubs have lost four in a row.

Reds 4, Braves 3: In Cincinnati, Dave Concepcion singled in pinch-

runner Barry Larkin with two out in the bottom of the eighth, his second RBI of the game.

Orioles 8, Blue Jays 5: In the American League, in Baltimore, Ray Knight, Cal Ripken Jr. and Jim Dwyer homered to end Toronto's club-record 11-game winning streak and the Orioles' 10-game

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Tigers 6, White Sox 3: In Chicago, Tim Laudner, batting only .180, hit a grand slam to start Minnesota toward victory.

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to complete a three-game series sweep of Boston.

Morris allowed six hits and struck out 10. His winning streak is the longest in the American League this season. Hurst has not won in Tiger Stadium since April 26, 1980, a span of six straight losses.

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Kent B. Solsack/The Associated Press

After plunking Darryl Strawberry in Saturday's second inning, Pirate pitcher Bob Kipper wisely ducked when the New York right fielder charged the mound. Strawberry was ejected.

Kent B. Solsack/The Associated Press

Blue Jays Improvise to Beat Orioles

Compiled by Our Staff From Dispatches

BALTIMORE — Beating the Baltimore Orioles has become so elementary that pitchers are doing it on a moment's notice.

John Ceruti, called on when scheduled starter Dave Stieb devel-



The Associated Press

SATURDAY BASEBALL

oped stiffness in his pitching-arm biceps before Saturday night's game, scattered four hits as the Toronto Blue Jays won in an 8-2 rout.

That extended the Oriole losing streak to 10; the Blue Jays' are having broken the team record the night before.

The Blue Jays tied another team record by winning their seventh consecutive road game. The Orioles have lost 14 of their last 15.

"I was just sitting in the clubhouse getting ready to chart the game when pitching coach John McLaren hollered for me. I was thinking to myself, 'What could he possibly want me for?'" said Ceruti, who struck out four and walked four in his second complete game.

The Blue Jays got 10 hits, with Jesse Barfield contributing a three-run home run and Tony Fernandez going 4-for-5 with a homer.

Tigers 6, Red Sox 4: In Detroit, Darrell Evans's tie-breaking three-run home run in the sixth beat Boston. Tiger shortstop Alan Trammell homered to bring his hitting streak to 18 games.

Pirates 4, Mets 3: In Pittsburgh, Johnny Ray, who led off the eighth with a single, scored on R.J. Reynolds's single to beat New York.

Expos 7, Phillies 5: In Montreal, Hervé Winograd hit a two-run home against Philadelphia and Neal Heaton won his sixth straight start.

Yankees 4, Brewers 1: In New York, Gary Ward hit a two-run home and Rick Rhoden held Milwaukee to six hits for seven innings.

Angels 4, Royals 0: In Kansas City, Missouri, Willie Fraser pitched a four-hitter for California, while Brian Downing and Devon White each doubled in a run and scored.

Athletics 10, Rangers 8: In Arlington, Texas, rookie Terry Steinbach recorded his first two-home-run game and went 3-for-4 with five RBIs for Oakland.

Indians 6, Mariners 1: In Seattle, Indians' Jeff Burroughs hit a two-run home run in the eighth and Mike Hargrove pitched a one-hitter.

Padres 11, Giants 2: In San Francisco, Shane Mack and Carmelo Martinez each drove in three runs and Randy Ready scored four times for San Diego. Mack, the latest member of the 1984 U.S. Olympic team to make the majors, hit his first big-league home run, a bases-empty shot, in the second inning.

Reds 5, Braves 2: In Cincinnati, Buddy Bell and Kal Daniels each homered and Guy Hoffman held Atlanta to two hits over six innings as the Reds ended a four-game losing streak.

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'Fiasco' and Other Tales of Stanislaw Lem

By Alan Levy

VIENNA — Stanislaw Lem has been living quietly but productively in a garden district in Vienna for the last four years without cutting his ties to his native Poland.

Lem, who is 65, does not now and never has had links with the Polish Communist Party. Solidarity, writers unions, or any other organized movement; in fact, his honorary membership was revoked by the Science Fiction Writers of America in 1986 after he condemned their "scientific ignorance" and "abominable literary quality."

While still bitter at having "six years of my life stolen by Hitler and Stalin," the author most recently of "Fiasco" said his move from Poland to Austria was, like the thrust of so much of his prophetic prose, an accident waiting to happen.

With earnings from the 11 million sales of his 50 books ("Solaris," filmed by the late Andrei Tarkovsky, is the best-known) in 30 languages, Lem equally popular in East and West, was building one of the largest private homes in Krakow during the Solidarity ferment of the early 1980s. With construction moving slower than planned when martial law was declared in late 1981, he found the turbulence and uncertainty so conducive to serious thought and writing that he accepted an invitation to spend 1982 at the Institute of Advanced Studies in West Berlin. "It was a good move. In 10 months there, I wrote five books."

When Poland hadn't settled down and the house still wasn't ready, Lem accepted a six-month invitation to be a writer-in-residence in Vienna. He rented a five-room villa with garage; brought his wife, Barbara, and teenage son, Tomasz, from Krakow, and enrolled Tomasz in the American International School "to give him a background that goes beyond borders."

His son not only took to American education, but was much influenced by his school's creative writing teacher, Jonathan Carroll, who happens to be an author of sci-fi chiller ("Land of Laughs," "Voice of Our Shadow"). Tomasz, 19, who is graduating this

month, has been accepted by Princeton University, but has deferred matriculation for a year to get to know Vienna and the German language better. "At least, that's the latest I hear," said his father. "The generations here travel in different galaxies and there's hardly any communication. Besides, he has a girlfriend and a car to keep him here."

The Lems would like to cross the Atlantic when Tomasz does, though they recognize he no longer needs parental boosters in his new galaxy — and besides, his mother (a roentgenologist) has forgotten her English, and his father (who speaks fluent German, French, and Russian) understands only written English: "I neither speak the language nor understand it when it is spoken. I learned to read it with dictionary in hand, but this was during the war when English was forbidden, so I had nobody to speak it to. English is for me a visual language."

They don't expect to move back to Krakow, although they will probably continue to spend holidays there, in the house that was finally completed in 1985. Material concerns — inadequate supplies, resources, research facilities, communications and technology — will keep Lem in the West. "Look," he said in German, "I write in Polish and have to be translated into English, French, German, Japanese and Russian. But which version do you think appears last? The Polish."

The 1985 Austrian State Prize for European Literature not only brought 200,000 schillings (a little more than \$10,000 when awarded in 1986) but also expedited the granting of permanent residence.

A pudgy-faced, slightly portly man of stock-athletic build, Stanislaw Lem calls his birthday Lemberg, his Habsburg name, although the capital of Galicia was already Lvov in Poland when he arrived on the scene in 1921, and is now Lvov in the Soviet Union. His father was a prosperous laryngologist who had served as a physician in the Austro-Hungarian army in World War I. Lem "lacked nothing, I had a French governess and no end of toys." World War II brought this to an end. Lem, as the grandchild of



Author Lem: "The categories of order and chance."

Jews who had been assimilated, was forced to leave his medical studies when the Nazis came in 1941 and survived as a garage mechanic with several false identities, including that of an American named Domasidowicz.

Though he avoided banishment to the ghetto, he occasionally donned a yellow star to visit friends there — all of whom were exterminated — and once spent 11 hours hiding beneath a tailor's closet during a roundup for a death camp. "The meaning of the categories of order and chance for life was impressed upon me during the war years in a purely practical, instinctual manner," he wrote in an autobiographical essay in The New Yorker in 1984. "I resembled more a hunted animal than a thinking human being. I was able to learn from hard experience that the difference between life and death depended upon minuscule, seemingly unimportant things, and the smallest of decisions: whether one visited a friend at one o'clock or 20 minutes later; whether one found a door open or closed."

In 1946, the Lems, who had lost all their possessions in the war, settled in a single room in Krakow, where his father, then 71, was forced to find work in a hospital because he couldn't afford to buy his own equipment. Stanislaw resumed his medical studies, but found he could enrich the family fortunes by writing thrillers. This led to work synthesizing foreign publications for a scientific monthly, in Communist Poland, the "tendentious manner" in which he ridiculed the Soviet geneticist Lysenko's doctrine of inheritance of acquired characteristics and embraced the new science of cybernetics presented him from receiving his medical degree in 1948.

Retreating into fiction, he wrote a novel about the struggle of an insane asylum's staff to save the inmates from liquidation by the Germans. "The Hospital of Transfiguration," which failed to conform to conventions of socialist realism, didn't see publication for seven years. In the interim, his readings led him into the labyrinth of science fiction, where his first two novels, "The Astronauts" (1951) and "The Magellan Nebula" (1955) — safely set in the years 2000 and 3000 and, by his

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